

Limited brands

A full-page photograph of two female models with long, wavy hair, wearing white lace-trimmed bras. They are positioned closely together, with the model on the right placing her hand on the chest of the model on the left. The background is a soft, out-of-focus bokeh of light and dark spots.

**“Our brands are
about innovation –
about next.”**

Les Wexner

Dear Partner

The past year highlighted a theme central to our thinking: We live in a world of continuous change. For our business, change comes in many forms. In everything from new shopping patterns and habits, to a fundamental shift in the most basic principles of the retail calendar, change is everywhere. We embrace change. Frankly, we like it. It's challenging, stimulating and it's embedded in our culture.

So, too, is growth. Make no mistake, we continue to set aggressive growth goals for every part of the business. Our planning processes are continuously geared to growth in a changing world. We foresaw the uncertain environment before the start of 2002 and we prepared for it. In a difficult retail climate, we managed to grow earnings by 27%, or more than \$116 million. I believe that we can do even better.

We continue to simplify our business structure dramatically – through spin-offs, split-offs and sales of businesses (including this year's sale of Lerner New York). At the same time, we've returned more than \$6 billion in value to our shareholders over the past seven years. We've done more than just merge with Intimate Brands and rename the Company – we've radically transformed ourselves into a worldwide leader in lingerie, personal care and apparel. We also evolved the leadership model of the business, creating the Office of the Chief Executive with the promotion of Len Schlesinger to Vice Chairman.

Today, our business is driven by three value-based levers:

- *Capability*
- *Talent*
- *A focused portfolio of world-class brands*

Let's look at each:

First, capability. Our financial position is quite powerful. At year's end, we had \$2 billion in cash, coupled with relatively little debt. This financial strength gives us the ability to capitalize on opportunities as they present themselves. For the moment, I'm comfortable with our cash position and pleased, in these uncertain times, to have our financial strength. I may be viewed as financially conservative, but in the current environment, I'd see any other attitude as reckless and fiscally irresponsible.

Still, we are putting our cash to work. We recently announced a \$150 million share repurchase program and a 33% increase in our annual dividend, resulting in a dividend yield that is among the highest in retail. We are looking for new concepts and growth opportunities – both inside and outside the business. When opportunities or ideas present themselves, we will be vigorous in pursuing them. We have the resources to do almost anything we can imagine. And, we are exactly where we want to be financially to support our growth.

"Our financial strength gives us the ability to capitalize on opportunities as they present themselves."

At the same time, we are staying disciplined. Under Ann Hailey's leadership, inventories are well managed and well controlled. By staying lean, and keeping inventories fresh, we protect the downside and are positioned to chase any upside. Right where we want our brands to be.

Under Len Schlesinger's leadership, we've made dramatic progress in all of our support functions. Len is focused on operational initiatives in support functions that drive efficiencies, and on building capabilities that will support the continued growth of our brands – from idea to concept, from concept to market, and from market to customer.

Let me expand on this a bit:

Idea to concept – great ideas are important, but they are nothing without execution. We're building important alliances with vendors and suppliers worldwide to assure that great ideas get great execution. And we're encouraging these same suppliers and outside designers to provide a steady stream of fresh products.

Concept to market – it's all about speed. Getting our product to customers as quickly as possible. Clearly, we are fashion brands and the fashion cycle is getting faster. We put the priority on speed, flexibility and agility in our sourcing, and in our demand chains, because our customers pay a premium for fashion that's right and first.

Market to customer – we have to deliver fresh concepts in store environments that are dynamic, exciting and easy to shop. Beyond store design, that means the quality and training of our store associates, the way merchandise gets from our distribution centers to the selling floor, even the registers on which sales are rung.

We also have to have the right real estate. We've begun a sweeping review of our real estate portfolio, a first-rate fleet optimization model. By the end of this year, we'll have developed strategic and tactical plans to maximize the productivity and profitability of each and every location. Clearly, we have a lot of stores. But are they positioned for their highest and best use? What's the right long-term view? How do we get the greatest return?

Real estate is, and always has been, the longest-term marketing and capital decision we make. Stores, like brands, need to stay fresh and current. Our brands have to continue to be an exciting part of the new retail mix. We must develop dramatic reasons for customers to shop us first. It is imperative that store designs reflect forward brand positions. Designs that help keep the brands interesting and vital. Designs that help the brands evolve.



Our new Victoria's Secret flagship store at 34th and Broadway in New York City.

"we've radically transformed ourselves into a worldwide leader in lingerie, personal care and apparel."

Our latest store designs for Victoria's Secret, Bath & Body Works and Express are doing just that. Creating more demand from customers, and strong interest from real estate developers. Over the next five years, we will complete the reconstruction of most of our stores in the top 160 malls in the country – the stores that represent a disproportionate share of our sales and profits.

Our next key lever is talent. As an enterprise, Limited Brands has developed the talent to allow us to grow our brands to multi-billion dollar status.

Talent is critical to success in any industry. And we have been called the most talent rich organization in specialty retailing. We see the current retail environment as an opportunity to capitalize even further on securing additional best talent from across the industry.

Finally, there is our focused portfolio of world-class brands. Our distinctive blend of beauty, lingerie and apparel gives us a balance that is unique and insightful. It was not accidental. It was a carefully considered strategic action – designed to maximize growth opportunities, while balancing exposure to any individual sector.

Our three major brands – Victoria's Secret (led by lingerie and beauty in three channels of distribution), Bath & Body Works (personal care) and Express (apparel) distinguish us from our competition. We are not apparel retailers. We are brand managers who control not only our own distribution, but the entire customer experience.



Victoria's Secret Direct
Through Victoria's Secret Catalogue and VictoriasSecret.com, Victoria's Secret Direct makes it possible for our clients to experience the sexy and sophisticated intimate lifestyle of Victoria's Secret 24 hours a day, 7 days a week.

Victoria's Secret

Victoria's Secret had an excellent year with strong results across all three channels: Victoria's Secret Stores, Victoria's Secret Beauty and Victoria's Secret Direct. Our continued focus on "best-at" bras, the success of "Very Sexy" and "Body by Victoria" – both in lingerie and in beauty – and the dramatic improvement in the clothing assortment and Internet growth at Direct, made Victoria's Secret one of the most successful and recognized brands in the world.

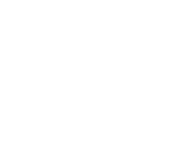


Victoria's Secret Beauty





Victoria's Secret



Over 60% of Victoria's Secret customers say they first learn of new products through our powerful television commercials.

Targeted, highly aspirational direct mail focuses on best customers to drive results.



The Victoria's Secret fashion show has become the most watched, most talked about fashion show in the world.

Victoria's Secret has an excellent brand position, supported by superb marketing. Victoria's Secret knows its customer and how to communicate with her. From the nationally televised fashion show, to exciting results-oriented TV and print campaigns, to targeted customer relationship marketing that drives traffic and transactions, Victoria's Secret cuts through. Building strong and ongoing relationships with best customers is important to each of our brands, and specialization and customization have never been more important. Clearly, Victoria's Secret understands and demonstrates this.

Victoria's Secret is truly a great brand, and I'm optimistic its strong growth will continue. The fashion offerings have improved dramatically over the last few years, and our fashion show clearly showcases that improvement to the world. I've looked at the new merchandise for 2003, and I believe it is both very fresh and very commercial. The sub-brands continue to gain clarity, and opportunities for new products and expanding the customer base abound. Introductions like "Pink," "What is Sexy" and "Very Sexy for Him and Her" assure that both old and new customers find continuing reasons to shop. Victoria's Secret is a classic mega-brand with a bright future.



Bath & Body Works

Bath & Body Works

Bath & Body Works, in the midst of substantial restructuring and repositioning, made real progress in 2002. Our efforts here have been geared toward innovation and change – in leadership, structure, products, marketing and store design. We made progress in our repositioning of the brand to the “twenty-first century apothecary of well-being,” and the brand’s new leadership is accelerating this evolution. We continue to have growth in new product categories like “Aromatherapy” and “True Blue Spa” that represent next. We had a successful Holiday gift assortment, launched the www.BathandBodyWorks.com website and completed a review of operations that included a sweeping reorganization to align the brand with our go-forward positioning.

In 2003, we expect continued evolution of Bath & Body Works, including significant new product additions to the “Aromatherapy” and “True Blue Spa” brands, as well as new product launches that have real efficacy and performance attributes. We’ll also continue to remodel our stores to the new flagship design, a design that better supports the future direction of the brand and these important new product categories.

“innovation and change –
in leadership, structure,
products, marketing and
store design.”



White Barn Candle Company

White Barn Candle Company meets a growing demand for innovative home fragrances and décor.



Express

Express is in the midst of a very positive transition to a dual gender brand. Our goal is to convert the bulk of the fleet to dual gender stores, with increased productivity and profitability. We've seen encouraging results from the new dual gender stores, where positive comps, combined with reduced square footage, have led to double-digit increases in productivity. We're accelerating the conversion to dual gender, with another 63 stores planned in 2003.

The Limited

While Limited Stores is still underperforming, it is improving. The brand is much clearer and we are beginning to see some encouraging results within specific categories. Customers are rediscovering The Limited. If we can prove that the brand is relevant, its future can be both bright and profitable.

Additional Growth Opportunities

There is great potential for growth within each of our brands, as well as growth opportunities for us from outside the Company. The personal care category, for example, is clearly a future growth channel for the business. Today, Victoria's Secret Beauty and Bath & Body Works exceed \$2 billion in combined personal care and cosmetic revenues. We see continued growth here, and we're constantly evaluating new ideas, no matter their source, that could result in new products, new channels of distribution or new alliances.

Henri Bendel

One of the most beautiful and fashionable shopping environments in Manhattan, Henri Bendel's Fifth Avenue store is a mecca for modern, sophisticated, higher-income, thirty-something women from all over the world.





Express

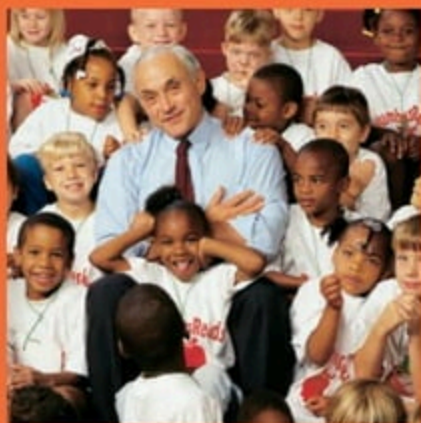


Express

Values

The values of our enterprise are no less important than our business results or our brands. We live them each and every day. These values become even more important at times of uncertainty. They represent our anchor in a "sea of change." In a year that's seen so much negative press about corporations, we demand adherence to a "moral compass." Our moral compass guides us to "do the right thing" and to practice ethics in all of our daily activities. We are committed to being a Company where associates and customers of every gender, race, religion and other individual characteristics are treated with dignity and respect. No exceptions. We are committed to tolerance and inclusion in all aspects of our businesses.

Another important piece of our business values is giving back to the communities we serve. In addition to our annual United Way campaign and our "Reads" literacy program, we support programs for women, children and education through financial support, volunteerism, product and in-kind donations. This year we continued to build on our enterprise wide, store-driven "Giving Tree" program so that 13,000 children and 5,000 families could have their individual wishes come true.



"Fortune magazine recently named Limited Brands 'The Most Admired Specialty Retailer in the World'"

Continuous Change

As I see it today, the critical question is: In a world of continuous change, how do we anticipate and drive the change, rather than have it drive us? How do we act to ensure that we will always be relevant to our customers? Clearly, we have more opportunities than ever. We have to be able to navigate these opportunities, and be poised to capitalize on them.

This year, we'll continue to be smart and disciplined in the management of our business – focusing on creating shareholder value by employing capital to our highest return opportunities and maintaining our financial strength. We'll focus on operational initiatives, capabilities and shared services to improve efficiency. We'll continue to focus on talent and talent retention in what is already a talent rich organization. And we will be relentless in bringing the next generation of innovative brands to specialty retailing.

Yes, we've carefully and deliberately changed the business over the past few years. But just because these changes began years ago doesn't mean we can stop now. We have to think – and change – all the time, adjusting to world and market conditions. It's always about what's next – a business that works today and patterns itself for the future.

I'm proud of where the organization is today. I believe we stand at the head of our industry. Fortune magazine recently named Limited Brands "The Most Admired Specialty Retailer in the World," and we are pleased our efforts are getting such recognition.

In sum, I believe we are disciplined and well managed. Conservative, yet opportunistic. Talent rich and financially responsible. And, certainly, poised for growth. All in all, an excellent place to be.

Sincerely,

Leslie H. Wexner
Chairman and Chief Executive Officer



The Limited

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Operating Results

Comparable store sales increase (decrease)		2002	2001	2000
Victoria's Secret		6%	0%	5%
Bath & Body Works		(3%)	(11%)	1%
Apparel		3%	(3%)	9%
Total Limited Brands		3%	(3%)	5%
Net sales (Millions)		2002	2001	2000
Victoria's Secret		\$3,586	\$3,272	\$3,301
Bath & Body Works		1,781	1,747	1,785
Apparel		2,711	2,662	2,836
Other		367	742	1,158
Total Limited Brands		\$8,445	\$8,423	\$9,080
Adjusted operating income (Millions)*		2002	2001	2000
Victoria's Secret		\$614	\$454	\$468
Bath & Body Works		300	347	418
Apparel		115	55	75
Other		(157)	(168)	(149)
Total Limited Brands		\$872	\$688	\$812
Adjusted net income per share*		\$0.99	\$0.78	\$0.88
Number of stores		2002	2001	2000
Victoria's Secret		1,014	1,002	958
Bath & Body Works		1,639	1,615	1,432
Apparel		1,382	1,474	1,525
Other		1	523	1,214
Total Limited Brands		4,036	4,614	5,129
Selling square feet (Thousands)		2002	2001	2000
Victoria's Secret		4,663	4,458	4,207
Bath & Body Works		3,568	3,463	3,039
Apparel		8,031	8,367	8,618
Other		35	3,858	7,360
Total Limited Brands		16,297	20,146	23,224
Sales per average selling square foot		2002	2001	2000
Victoria's Secret		\$581	\$555	\$572
Bath & Body Works		507	537	646
Apparel		331	313	319

Year-End Position

Year-End Position (Millions except financial ratios)		2002	2001	2000
Total assets		\$7,246	\$5,094	\$4,487
Working capital		\$2,347	\$1,330	\$1,034
Current ratio		2.9	1.9	1.9
Long-term debt		\$547	\$250	\$400
Debt-to-equity ratio		11%	9%	17%
Shareholders' equity		\$4,860	\$2,744	\$2,316

Quarterly Results

(Millions)

	Victoria's Secret			Bath & Body Works			Apparel			Total Limited Brands		
Sales	2002	2001	Change	2002	2001	Change	2002	2001	Change	2002	2001	Change
First quarter	\$762	\$706	8%	\$320	\$320	0%	\$638	\$597	7%	\$1,799	\$1,896	(5%)
Second quarter	864	792	9%	374	359	4%	591	566	4%	1,912	1,999	(4%)
Third quarter	678	605	12%	310	301	3%	676	660	2%	1,768	1,687	5%
Fourth quarter	1,282	1,169	10%	777	767	1%	806	839	(4%)	2,966	2,839	4%
Total Year	\$3,586	\$3,272	10%	\$1,781	\$1,747	2%	\$2,711	\$2,662	2%	\$8,445	\$8,423	0%
Adjusted operating income*	2002	2001	Change	2002	2001	Change	2002	2001	Change	2002	2001	Change
First quarter	\$101	\$61	66%	\$28	\$34	(18%)	\$35	(\$16)	319%	\$128	\$39	228%
Second quarter	145	105	38%	31	46	(33%)	3	(29)	110%	139	79	76%
Third quarter	57	16	256%	2	(1)	300%	(3)	6	(150%)	17	(18)	194%
Fourth quarter	311	272	14%	239	268	(11%)	80	94	(15%)	588	588	0%
Total Year	\$614	\$454	35%	\$300	\$347	(14%)	\$115	\$55	109%	\$872	\$688	27%

* Adjusted amounts give effect to certain significant transactions and events in 2002, 2001 and 2000. See the "Adjusted Data" section for a discussion of these items.

Victoria's Secret

Sexy. Glamorous. Innovative. Victoria's Secret is the leading specialty retailer of lingerie and beauty products, dominating its world with modern, fashion-inspired collections, prestige fragrances and cosmetics, celebrated supermodels and world-famous runway shows.

Victoria's Secret lingerie and beauty stores, the catalogue and www.VictoriasSecret.com allow customers to shop the brand anywhere, any time, from any place.

Victoria's Secret Stores (Lingerie and Beauty)		2002	2001	2000
Sales (Millions)		\$2,647	2,403	\$2,339
Comparable store sales		6%	0%	5%
Number of stores		1,014	1,002	958
Selling square feet (Thousands)		4,663	4,458	4,207
Sales per average selling square foot		\$581	\$555	\$572
Average store size (Selling square feet)		4,599	4,449	4,391

Victoria's Secret Direct		2002	2001	2000
Sales (Millions)		\$939	\$869	\$962
% to LY		8%	(10%)	1%
Circulation (Millions of books)		394	370	391
% to LY		6%	(5%)	(3%)

Bath & Body Works

Bath & Body Works is the apothecary of the 21st century. It is the authority dedicated to helping people find their own individual paths to well-being by bringing them the very best personal care products the world has to offer. These include authentic products inspired by nature and based in science, such as innovative new collections like Aromatherapy and True Blue Spa. Every item in more than 1,600 Bath & Body Works stores nationwide is created to help nourish the spirit, bring a sense of balance, and leave the customer feeling beautiful inside and out.

White Barn Candle Company is a haven for the senses, providing unique, sophisticated ideas and solutions to consumers on how to add fragrance and ambiance to their homes. The comprehensive collection of home fragrance and décor items allows consumers to create a sense of beauty and well-being for themselves, their friends and their families. Inspirational and innovative, with a European sensibility, White Barn Candle Company is poised to become the premier brand and the top-of-mind destination for high quality candles, home fragrance and accessories.

	2002	2001	2000
Sales (Millions)	\$1,781	\$1,747	\$1,785
Comparable store sales	(3%)	(11%)	1%
Number of stores	1,639	1,615	1,432
Selling square feet (Thousands)	3,568	3,463	3,039
Sales per average selling square foot	\$507	\$537	\$646
Average store size (Selling square feet)	2,177	2,144	2,122

Express

From every angle, Express is a modern fashion leader for women and for men. Express is a forward, innovative and savvy fashion brand. Express' international design talent delivers cutting edge style for the casual, professional and urban customer from design studios in downtown New York City. Express is the definitive point of view on what is sexy and sophisticated now.

	2002	2001	2000
Sales (Millions)	\$2,073	\$2,044	\$2,163
Comparable store sales	2%	(3%)	10%
Number of stores	1,031	1,106	1,136
Selling square feet (Thousands)	5,852	6,054	6,173
Sales per average selling square foot	\$348	\$334	\$344
Average store size (Selling square feet)	5,676	5,474	5,434

The Limited

Sexy, sophisticated style for the modern, fashion-conscious woman. Whether it's a night on the town, a day in the office or a relaxing weekend getaway, The Limited is fashion for the woman who feels sexy and confident in all aspects of her life. A focus on building our pants business by offering fashion silhouettes that look as great as they fit has established The Limited as a leader in the industry and creates the foundation for outfit/wardrobe selling.

	2002	2001	2000
Sales (Millions)	\$638	\$618	\$673
Comparable store sales	7%	(2%)	5%
Number of stores	351	368	389
Selling square feet (Thousands)	2,179	2,313	2,445
Sales per average selling square foot	\$284	\$260	\$259
Average store size (Selling square feet)	6,208	6,285	6,285

Financial Summary

(Millions except per share amounts, ratios, and store and associate data)

Summary of Operations*

	2002	2001	2000	1999	1998
Net sales	\$8,445	\$8,423	\$9,080	\$8,765	\$8,436
Gross income	\$3,094	\$3,016	\$3,185	\$3,051	\$2,742
Operating income*	\$838	\$896	\$832	\$881	\$2,426
Operating income as a percentage of sales*	9.9%	10.6%	9.2%	10.1%	28.8%
Net income from continuing operations*	\$496	\$506	\$407	\$431	\$2,048
Net income from continuing operations as a percentage of sales*	5.9%	6.0%	4.5%	4.9%	24.3%

Per Share Results

Income per basic share: Continuing operations**	\$0.97	\$1.18	\$0.95	\$0.98	\$4.25
Income per diluted share: Continuing operations**	\$0.95	\$1.16	\$0.91	\$0.93	\$4.15
Dividends	\$0.30	\$0.30	\$0.30	\$0.30	\$0.26
Book value	\$9.28	\$6.39	\$5.44	\$5.00	\$4.78
Weighted average diluted shares outstanding	522	435	443	456	493

Other Financial Information

Total assets	\$7,246	\$5,094	\$4,487	\$4,557	\$5,034
Return on average assets*	8%	11%	9%	10%	42%
Working capital	\$2,347	\$1,330	\$1,034	\$1,049	\$1,127
Current ratio	2.9	1.9	1.9	1.8	1.9
Capital expenditures	\$306	\$377	\$487	\$426	\$401
Long-term debt	\$547	\$250	\$400	\$400	\$550
Debt-to-equity ratio	11%	9%	17%	19%	25%
Shareholders' equity	\$4,860	\$2,744	\$2,316	\$2,147	\$2,167
Return on average shareholders' equity*	13%	21%	19%	21%	99%
Comparable store sales increase (decrease)*	3%	(3%)	5%	8%	6%

Stores and Associates at End of Year

Total number of stores open	4,036	4,614	5,129	5,023	5,382
Selling square feet (Thousands)	16,297	20,146	23,224	23,592	26,316
Number of associates	98,900	100,300	123,700	114,600	126,800

* Fifty-three-week fiscal year.

▲ Includes the results of the following companies up until their disposition/separation date:

1. Lane Bryant effective August 16, 2001;
2. Galyan's Trading Co. ("Galyan's") effective August 31, 1999;
3. Limited Too ("TOO") effective August 23, 1999; and
4. Abercrombie & Fitch ("A&F") effective May 19, 1998.

● As a result of its sale on November 27, 2002, Lerner New York's ("Lerner") operating results have been reflected as discontinued operations. Accordingly, Lerner's results are excluded for all periods presented (see Note 3 to the Consolidated Financial Statements).

● Operating income includes the effect of special and nonrecurring items of (\$34) million in 2002, \$170 million in 2001, (\$10) million in 2000 (see Note 4 to the Consolidated Financial Statements), \$24 million in 1999, and \$1.740 billion in 1998.

▲ In addition to the items discussed in ▲, net income includes the effect of the following non-operating gains:

1. \$6 million related to Charming Shoppes, Inc. in 2002;
2. \$62 million related to Alliance Data Systems and Galyan's in 2001 (see Note 1 to the Consolidated Financial Statements); and
3. \$11 million related to Galyan's in 1999.

■ A store is typically included in the calculation of comparable store sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store.

Management's Discussion and Analysis

Results of Operations

On November 27, 2002, the Company sold one of its apparel businesses, Lerner New York ("Lerner"). Accordingly, Lerner's operating results have been reflected as discontinued operations and are excluded from the Management's Discussion and Analysis section (see Note 3 to the Consolidated Financial Statements).

Net sales for the fourth quarter of 2002 increased 4% to \$2.966 billion from \$2.839 billion for the fourth quarter of 2001. Comparable store sales were flat for the quarter. Gross income increased 1% to \$1.235 billion in the fourth quarter of 2002 from \$1.227 billion in 2001 and operating income was

flat for the quarter at \$588 million. Net income was \$353 million in the fourth quarter of 2002 versus \$327 million in 2001, and earnings per share were \$0.66 versus \$0.75 in 2001.

Net sales for the year ended February 1, 2003 were \$8.445 billion, compared to \$8.423 billion for the year ended February 2, 2002. Gross income increased 3% to \$3.094 billion in 2002 from \$3.016 billion in 2001 and operating income was \$838 million in 2002 versus \$896 million in 2001. Net income for 2002 was \$502 million, or \$0.96 per share, compared to \$519 million, or \$1.19 per share, in 2001.

There were a number of items in 2002 and 2001 that impact the comparability of the Company's reported financial results. See the "Special and Nonrecurring Items", "Gains on Investments' Stock" and "Adjusted Data" sections for a discussion of these items and for reconciliation tables.

				% Change		
The following summarized financial data compares reported 2002 sales and operating income results to the comparable periods for 2001 and 2000:	Net Sales (Millions)	2002	2001	2000	2002 - 2001	2001 - 2000
	Victoria's Secret Stores	\$2,647	\$2,403	\$2,339	10%	3%
	Victoria's Secret Direct	939	869	962	8%	(10%)
	Total Victoria's Secret	\$3,586	\$3,272	\$3,301	10%	(1%)
	Bath & Body Works	\$1,781	\$1,747	\$1,785	2%	(2%)
	Express	\$2,073	\$2,044	\$2,163	1%	(6%)
	Limited Stores	638	618	673	3%	(8%)
	Total apparel businesses	\$2,711	\$2,662	\$2,836	2%	(6%)
	Other •	\$367	\$742	\$1,158	nm	nm
	Total net sales	\$8,445	\$8,423	\$9,080	0%	(7%)
	Operating Income (Millions)					
	Victoria's Secret	\$614	\$454	\$468	35%	(3%)
	Bath & Body Works	300	347	418	(14%)	(17%)
	Apparel	115	55	75	109%	(27%)
	Other •	(157)	(130)	(119)	nm	nm
	Subtotal	872	726	842	20%	(14%)
	Special and nonrecurring items •	(34)	170	(10)	nm	nm
	Total operating income	\$838	\$896	\$832	(6%)	8%

* Fifty-three-week fiscal year.

* Other includes Corporate, Mast, Henri Bendel, and Lane Bryant through its sale on August 16, 2001.

* Special and nonrecurring items include the following: 2002 - a \$34 million non-cash charge related to the Intimate Brands, Inc. recombination, 2001 - a \$170 million gain resulting from the sale of Lane Bryant, and 2000 - a \$10 million charge to close Bath & Body Works' nine stores in the United Kingdom.

nm not meaningful

The following summarized financial data compares reported 2002 results to the comparable periods for 2001 and 2000:	Comparable Store Sales	2002	2001	2000
	Victoria's Secret	6%	0%	5%
	Bath & Body Works	(3%)	(11%)	1%
	Express	2%	(3%)	10%
	Limited Stores	7%	(2%)	5%
	Total apparel businesses	3%	(3%)	9%
	Lane Bryant (through August 16, 2001)	-	3%	2%
	Henri Bendel	7%	(6%)	(1%)
	Total comparable store sales	3%	(3%)	5%

				% Change		
Store Data		2002	2001	2000	2002-2001	2001-2000
Retail sales per average selling square foot	Victoria's Secret	\$581	\$555	\$572	5%	(3%)
	Bath & Body Works	\$507	\$537	\$646	(6%)	(17%)
	Apparel	\$331	\$313	\$319	6%	(2%)
Retail sales per average store (Thousands)	Victoria's Secret	\$2,626	\$2,452	\$2,523	7%	(3%)
	Bath & Body Works	\$1,095	\$1,146	\$1,349	(4%)	(15%)
	Apparel	\$1,898	\$1,775	\$1,798	7%	(1%)
Average store size at end of year (Selling square feet)	Victoria's Secret	4,599	4,449	4,391	3%	1%
	Bath & Body Works	2,177	2,144	2,122	2%	1%
	Apparel	5,811	5,677	5,651	2%	0%
Selling square feet at end of year (Thousands)	Victoria's Secret	4,663	4,458	4,207	5%	6%
	Bath & Body Works	3,568	3,463	3,039	3%	14%
	Apparel	8,031	8,367	8,618	(4%)	(3%)

	Victoria's Secret			Bath & Body Works			Apparel		
Number of Stores	2002	2001	2000	2002	2001	2000	2002	2001	2000
Beginning of year	1,002	958	896	1,615	1,432	1,214	1,474	1,525	1,630
Opened	33	60	75	51	191	230	22	18	4
Closed	(21)	(16)	(13)	(27)	(8)	(12)	(98)	(69)	(109)
Express Integration*	-	-	-	-	-	-	(16)	-	-
End of year	1,014	1,002	958	1,639	1,615	1,432	1,382	1,474	1,525

* Express Integration represents conversion of Express Women and Express Men stores to Express dual gender stores.

Net Sales | Fourth Quarter

2002 compared to 2001

Net sales for the fourth quarter of 2002 increased 4% to \$2.966 billion from \$2.839 billion for the fourth quarter of 2001. The increase was primarily driven by Victoria's Secret, partially offset by a sales decrease at the apparel businesses.

At Victoria's Secret, net sales for the fourth quarter of 2002 increased 10% to \$1.282 billion from \$1.169 billion in 2001. The increase was driven by the net increase in sales associated with new, closed and non-comparable remodeled stores of \$39 million, an increase in comparable store sales of 5% or \$38 million and an increase in sales at Victoria's Secret Direct of 13% or \$36 million. The increase in comparable store sales was driven by strong performance in bras and panties, particularly the Very Sexy Collection, as well as a successful January semi-annual sale. In addition, Beauty had strong fourth quarter results, driven by fine fragrance gift sets, including the launch of the new Very Sexy for Her fragrance. The increase in sales at Victoria's Secret Direct was driven by continued strength in the clothing category and growth in intimate apparel. The clothing category continues to benefit from a more competitive price point offering and a broader casual assortment. Intimate apparel sales increased from last year due to growth in the party and sleepwear categories. Additionally, the business continues to see growth in the Internet channel, with it representing approximately one-third of sales in 2002.

At Bath & Body Works, net sales for the fourth quarter of 2002 were \$777 million compared to \$767 million in 2001. The increase was primarily due to the net increase in sales associated with new, closed and non-comparable remodeled stores of \$17 million, partially offset by a decrease in comparable store sales of 1% or \$7 million. The decrease in comparable store sales was primarily driven by declines in the core bath products line, partially offset by an increase in sales of gift sets and growth in the Aromatherapy and True Blue Spa product lines.

At the apparel businesses, net sales for the fourth quarter of 2002 decreased 4% to \$806 million from \$839 million in 2001. The decrease in sales was primarily due to a decline in comparable store sales of 4% or \$29 million, as well as a net decrease in sales associated with closed, new and non-comparable remodeled stores of \$4 million. The decline in comparable store sales was driven primarily by poor performance in sweaters, both at Express and Limited Stores. The decline in sweaters at Express was partially offset by increases in knit tops, bottoms and dresses in the Women's business and woven shirts and ties in the Men's business. The decline in sweaters at Limited Stores was partially offset by increases in knit tops.

2001 compared to 2000

Net sales for the thirteen-week fourth quarter of 2001 decreased 10% to \$2.839 billion from \$3.164 billion for the fourteen-week fourth quarter of 2000. Excluding sales of \$263 million from Lane Bryant in 2000 (which was sold on August 16, 2001) and \$134 million from the extra week in the fourth quarter of 2000 (the first week of the quarter), net sales increased 3% from the comparable thirteen-week period last year. This increase represented an improvement over the trend of the previous three quarters.

At Victoria's Secret, net sales for the fourth quarter of 2001 increased 6% to \$1.169 billion compared to \$1.107 billion in 2000. The increase was driven by an increase in comparable store sales of 10% or \$74 million and the net increase in sales associated with new, closed and non-comparable remodeled stores of \$37 million. These increases were partially offset by a sales decline of \$52 million from the extra week in 2000. The increase in comparable store sales was driven by the successful launch of the Very Sexy Miracle Bra, which outperformed the 2000 launch of the Seamless Satin holiday offering. In addition, sleepwear sales increased in the fourth quarter, reflecting an improved merchandise assortment and a renewed emphasis on classic cotton and flannel pajamas and sleepshirts for gift giving. Sales at Victoria's Secret Direct, excluding the extra week in 2000, were about flat for the quarter due to a challenging and highly promotional catalogue sales environment. To drive sales during the holiday season, Victoria's Secret Direct changed its primary offer strategy from free shipping and handling to heavier merchandise discounts. This shift drove more orders; however, realized prices were lower. Additionally, pages mailed were reduced by 14% in an effort to target customers more efficiently.

At Bath & Body Works, net sales for the fourth quarter decreased 6% to \$767 million from \$820 million in 2000, due to a decrease in comparable store sales of 10% or \$79 million and a sales decline of \$30 million from the extra week in 2000, partially offset by the net increase in sales associated with new, closed and non-comparable remodeled stores of \$56 million. The decline in comparable store sales was primarily the result of poor performance in the holiday fragrance and gift set merchandise assortments.

At the apparel businesses, net sales for the fourth quarter of 2001 decreased 7% to \$839 million from \$903 million in 2000. The decrease in sales was primarily due to a sales decline of \$46 million from the extra week in 2000, the net decrease in sales associated with closed, new and non-comparable remodeled stores of \$9 million and a comparable store sales decrease at Express of 2%, partially offset by a 1% increase in comparable store sales at Limited Stores.

Net Sales*Full Year***2002 compared to 2001**

In 2002, net sales were \$8.445 billion compared to \$8.423 billion in 2001. Excluding sales from Lane Bryant of \$495 million in 2001, net sales increased 7% in 2002.

At Victoria's Secret, net sales increased 10% to \$3.586 billion in 2002 from \$3.272 billion in 2001. The increase resulted from an increase in comparable store sales of 6% or \$132 million, a net increase in sales associated with new, closed and non-comparable remodeled stores of \$112 million and an increase in sales at Victoria's Secret Direct of 8% or \$70 million. The increase in comparable store sales was driven by strong performance in the bra and panty categories throughout the year, as well as growth in the Beauty business resulting from the success of various fragrance launches in 2001 and 2002, particularly Very Sexy for Him and Her, Pink and Body by Victoria. The Beauty business also benefited from a strong gift set collection with a focus on price points of \$50 and lower.

At Bath & Body Works, net sales increased 2% to \$1.781 billion in 2002 from \$1.747 billion in 2001. The net increase in sales associated with new, closed and non-comparable remodeled stores of \$78 million was substantially offset by a decline in comparable store sales of 3% or \$44 million. The decrease in comparable store sales was primarily driven by continued declines in transactions throughout the year, primarily driven by poor performance in the core bath products line.

At the apparel businesses, net sales increased 2% to \$2.711 billion in 2002 from \$2.662 billion in 2001. The increase was due to a comparable store sales increase of 3% or \$72 million, partially offset by the net decrease in sales associated with closed, new and non-comparable remodeled stores of \$23 million. The increase in comparable store sales was primarily driven by Express as a result of solid performance in knit and active tops in the Women's business and woven shirts and denim in the Men's business. Limited Stores also benefited from good performance in tops, particularly in the cut and sew and woven categories. These increases were partially offset by weak performance in sweaters across both businesses throughout the year.

2001 compared to 2000

Net sales for the fifty-two-week fiscal year 2001 decreased 7% to \$8.423 billion from \$9.080 billion for the fifty-three-week fiscal year 2000. Excluding sales from Lane Bryant of \$495 million in 2001 and \$930 million in 2000 and \$118 million from the extra week in 2000 (the first week of the year), net sales decreased 1% from the comparable fifty-two-week period in 2000.

At Victoria's Secret, net sales decreased 1% to \$3.272 billion in 2001 from \$3.301 billion in 2000. The decline was primarily due to a sales decline of \$55 million from the extra week in 2000 and a sales decline at Victoria's Secret Direct of 8% or \$73 million. These declines were partially offset by the net increase in sales associated with new, closed and non-comparable remodeled stores of \$91 million. Comparable store sales for Victoria's Secret Stores were flat to 2000. The decrease in sales at Victoria's Secret Direct was driven by poor merchandise performance in the apparel assortment, which lacked value-priced, casual offerings.

At Bath & Body Works, net sales decreased 2% to \$1.747 billion in 2001 from \$1.785 billion in 2000, due to a comparable store sales decline of 11% or \$180 million and a sales decline of \$20 million from the extra week in 2000, substantially offset by the net increase in sales associated with new, closed and non-comparable remodeled stores of \$162 million. The decrease in comparable store sales was primarily driven by declines in transactions throughout the year, which were only partially offset by increases in sales dollars per transaction. Transaction declines resulted from weaker performance of gift sets during the holiday season and bath products throughout the year. These declines were somewhat offset by the successful launch of a new and broader offering of Aromatherapy products.

At the apparel businesses, net sales decreased 6% to \$2.662 billion in 2001 from \$2.836 billion in 2000. The sales decrease was due to a comparable store sales decrease of 3% or \$77 million, the net decrease in sales associated with closed, new and non-comparable remodeled stores of \$59 million and a sales decline of \$38 million from the extra week in 2000. The decrease in comparable store sales was primarily due to weak performance in the knit and active category at Limited Stores and the men's pant category and the women's skirt category at Express.

Gross Income*Fourth Quarter***2002 compared to 2001**

For the fourth quarter of 2002, the gross income rate (expressed as a percentage of sales) decreased to 41.6% from 43.2% for the same period in 2001. The rate decrease was primarily driven by declines at Bath & Body Works and the apparel businesses, partially offset by improvement at Victoria's Secret. The gross income rate increased at Victoria's Secret primarily due to an increase in the merchandise margin rate resulting from fewer markdowns in certain merchandise categories compared to the fourth quarter of 2001.

At Bath & Body Works, the gross income rate decreased significantly due to a decrease in the merchandise margin rate and an increase in the buying and occupancy expense rate. The decrease in the merchandise margin rate resulted from an increase in sales of lower margin gift sets. The increase in the buying and occupancy expense rate was primarily due to the inability to achieve expense leverage on a 1% decrease in comparable store sales.

At the apparel businesses, the gross income rate decreased significantly primarily due to a decrease in the merchandise margin rate at Express, as higher markdowns were required to reduce slow-moving inventories. The buying and occupancy expense rate at the apparel businesses was about flat for the quarter.

2001 compared to 2000

For the fourth quarter of 2001, the gross income rate increased to 43.2% from 36.9% for the same period in 2000 resulting from improvements across all segments. At Victoria's Secret, the gross income rate increased significantly, due to both an increase in the merchandise margin rate and a decrease in the buying and occupancy expense rate. The increase in the merchandise margin rate was primarily due to strong customer response to the merchandise assortment throughout the quarter at Victoria's Secret Stores, which resulted in fewer markdowns versus the fourth quarter of 2000. The decrease in the buying and occupancy expense rate was primarily driven by continued emphasis on catalog related cost savings and efficiencies at Victoria's Secret Direct.

At Bath & Body Works, the gross income rate increased significantly due to an increase in the merchandise margin rate partially offset by an increase in the buying and occupancy expense rate. The increase in the merchandise margin rate resulted from changes in merchandise assortment and fewer sales of lower margin gift sets. The increase in the buying and occupancy expense rate was primarily due to the inability to achieve expense leverage on a 10% decrease in comparable store sales.

At the apparel businesses, the gross income rate increased significantly primarily due to an increase in the merchandise margin rate due to a more favorable product assortment and more effective inventory management which resulted in lower markdowns in 2001 compared to the difficult fourth quarter in 2000. The buying and occupancy expense rate at the apparel businesses was about flat for the quarter.

Gross Income	Full Year
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2002 compared to 2001

In 2002, the gross income rate increased to 36.6% from 35.8% in 2001 as increases at Victoria's Secret and the apparel businesses were partially offset by a decline at Bath & Body Works. At Victoria's Secret, the gross income rate increased significantly primarily due to an increase in the merchandise margin rate driven by fewer markdowns in certain merchandise categories, particularly bras. The buying and occupancy expense rate at Victoria's Secret increased slightly.

At Bath & Body Works, the gross income rate decreased significantly due to an increase in the buying and occupancy expense rate and a decrease in the merchandise margin rate. The increase in the buying and occupancy expense rate was due to the inability to achieve expense leverage on a 3% decrease in comparable store sales. The decrease in the merchandise margin rate was driven by the fourth quarter results previously described.

At the apparel businesses, the gross income rate increased due primarily to an increase in the merchandise margin rate at Express. The improvement in the merchandise margin rate at Express was due to improved initial pricing, lower markdowns and tighter inventory management, principally in the first and second quarters of 2002. The buying and occupancy expense rate at the apparel businesses was about flat for the year.

2001 compared to 2000

In 2001, the gross income rate increased to 35.8% from 35.1% in 2000. The gross income rate at Victoria's Secret was flat to 2000 as a slight increase in the merchandise margin rate was offset by a slight increase in the buying and occupancy expense rate.

At Bath & Body Works, the gross income rate was about flat to 2000. A significant improvement in the merchandise margin rate driven by the fourth quarter as previously discussed, was offset by a significant increase in the buying and occupancy expense rate due to the inability to achieve expense leverage as comparable store sales decreased 11% for the year.

At the apparel businesses, the gross income rate increased slightly due to an increase in the merchandise margin rate partially offset by an increase in the buying and occupancy expense rate. The improvement in the merchandise margin rate was primarily due to improved initial pricing and lower markdowns at Limited Stores, principally in the fourth quarter, and improvements in the men's assortment at Express for the full year. The increase in the buying and occupancy expense rate was primarily the result of the inability to achieve expense leverage as comparable store sales decreased 3%.

General, Administrative and Store Operating Expenses	Fourth Quarter
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2002 compared to 2001

For the fourth quarter of 2002, the general, administrative and store operating expense rate (expressed as a percentage of sales) was 21.8% compared to 22.5% in 2001. The rate improvement was due to a decrease in the general, administrative and store operating expense rate at the apparel businesses, partially offset by an increase at Bath & Body Works. The rate improvement at the apparel businesses was primarily driven by reductions in store selling and home office payroll costs. The rate increase at Bath & Body Works was primarily due to investments in certain organizational and management changes as well as the inability to leverage store selling expenses on a 1% decrease in comparable store sales. The general, administrative and store operating expense rate at Victoria's Secret was about flat for the year.

2001 compared to 2000

For the fourth quarter of 2001, the general, administrative and store operating expense rate was 22.5% compared to 22.9% in 2000. The slight rate improvement was driven by Victoria's Secret, which improved due to reductions in store selling expenses (primarily store payroll costs) and order fulfillment costs at Victoria's Secret Direct, combined with the expense leverage achieved on a 10% increase in comparable store sales. The improvement at Victoria's Secret was substantially offset by declines at Bath & Body Works and the apparel businesses as reductions in selling expenses per average store were more than offset by the lack of expense leverage resulting from decreases in comparable store sales of 10% and 1%, respectively.

General, Administrative and Store Operating Expenses	Full Year
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2002 compared to 2001

In 2002, the general, administrative and store operating expense rate decreased to 26.3% from 27.2% in 2001. The decrease was primarily driven by Victoria's Secret and the apparel businesses resulting from leverage achieved on comparable store sales increases of 6% and 3%. The general, administrative and store operating expense rate at Bath & Body Works was about flat to 2001 as the increase previously described in the fourth quarter results was partially offset by a decrease in marketing expenditures.

2001 compared to 2000

In 2001, the general, administrative and store operating expense rate increased to 27.2% from 25.8% in 2000. The increase was primarily driven by a significant increase at Bath & Body Works due to higher store selling expenses (primarily payroll costs) related to the net addition of 183 new stores and the inability to achieve expense leverage on a comparable store sales decrease of 11%. At the apparel businesses, the general, administrative and store operating expense rate increased despite a total dollar decrease in expense, primarily due to the inability to achieve expense leverage on a comparable store sales decrease of 3% combined with the net closure of 51 smaller, unprofitable stores. The general, administrative and store operating expense rate at Victoria's Secret was about flat to 2000.

Special and Nonrecurring Items

During the first quarter of 2002, in connection with the acquisition of the Intimate Brands, Inc. ("IBI") minority interest, (see Note 2 to the Consolidated Financial Statements) vested IBI stock options and restricted stock were exchanged for Limited Brands stock awards with substantially similar terms. In accordance with Emerging Issues Task Force Issue No. 00-23, "Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44," the exchange was accounted for as a modification of a stock-based compensation arrangement. As a result, the Company recorded a pretax, non-cash charge of \$34 million in the first quarter of 2002.

During the third quarter of 2001, the Company sold one of its apparel businesses, Lane Bryant, to Charming Shoppes, Inc. for \$280 million of cash and 8.7 million shares of Charming Shoppes, Inc. common stock valued at \$55 million. On December 12, 2001, the Company received additional Charming Shoppes, Inc. common stock valued at \$4 million based on a final determination of Lane Bryant's net tangible assets at closing. The transaction resulted in a pretax gain of \$170 million (net of \$24 million of transaction costs) and a \$68 million tax provision.

During the fourth quarter of 2000, the Company recorded a \$10 million pretax charge to close Bath & Body Works' United Kingdom stores. The charge consisted of non-cash store and other asset write-offs of \$5 million and accruals for lease termination and other costs of \$5 million, all of which were paid during fiscal 2001.

Operating Income

Fourth Quarter

For the fourth quarter of 2002, the operating income rate (expressed as a percentage of sales) decreased to 19.8% from 20.7% in 2001. The rate decrease was primarily due to a 1.6% decrease in the gross income rate, partially offset by a 0.7% decrease in the general, administrative and store operating expense rate.

For the fourth quarter of 2001, the operating income rate increased to 20.7% from 13.7% in 2000. The rate increase was primarily due to a 6.3% increase in the gross income rate.

Operating Income

Full Year

In 2002, the operating income rate was 9.9% versus 10.6% in 2001. Excluding special and nonrecurring items in both years, the operating income rate was 10.3% in 2002 versus 8.6% in 2001. The rate increase was driven by a 0.8% increase in the gross income rate and a 0.9% decrease in the general, administrative and store operating expense rate.

In 2001, the operating income rate was 10.6% versus 9.2% in 2000. Excluding special and nonrecurring items in both years, the operating income rate was 8.6% in 2001 versus 9.3% in 2000. The rate decrease was driven by a 1.4% increase in the general, administrative and store operating expense rate, partially offset by a 0.7% increase in the gross income rate.

Interest Expense

In 2002, the Company incurred \$8 million and \$30 million in interest expense for the fourth quarter and year, compared to \$9 million and \$34 million in 2001 for the same periods. These decreases were primarily the result of a decrease in average effective interest rates during 2002, partially offset by an increase in average daily borrowings in the fourth quarter.

In 2001, the Company incurred \$9 million and \$34 million in interest expense for the fourth quarter and year, compared to \$17 million and \$58 million in 2000 for the same periods. These decreases were primarily due to a decrease in average daily borrowings.

	Fourth Quarter		Year		
	2002	2001	2002	2001	2000
Average daily borrowings (Millions)	\$451	\$400	\$342	\$400	\$717
Average effective interest rate	7.0%	7.6%	7.4%	7.6%	7.9%

Other Non-operating Items

In 2002, interest income was \$9 million and \$29 million for the fourth quarter and year, compared to \$6 million and \$24 million in 2001. These increases were primarily due to significantly higher average invested cash balances, partially offset by a decrease in average effective interest rates.

In 2001, interest income was \$6 million and \$24 million for the fourth quarter and year, compared to \$13 million and \$42 million in 2000. These decreases were primarily due to significantly lower average effective interest rates which were partially offset by higher average invested cash balances.

In 2002, other income (loss) was \$4 million and \$0.1 million for the fourth quarter and year, compared to \$1 million and (\$2) million in 2001. These increases were primarily due to improved performance of the Company's unconsolidated entities.

In 2001, other income (loss) was \$1 million and (\$2) million for the fourth quarter and year, compared to (\$18) million and (\$22) million in 2000. These reductions in losses were primarily due to a fourth quarter 2000 charge that the Company recorded in order to reflect the impact of a change in revenue recognition and a goodwill write-off by one of its unconsolidated entities.

In 2002, minority interest declined to \$6 million from \$64 million in 2001 as a result of the IBI recombination (see Note 2 to the Consolidated Financial Statements).

Gains on Investees' Stock

During the third quarter of 2002, the Company recognized a \$6 million pretax gain resulting from the sale of its entire interest in Charming Shoppes, Inc. common stock (9.5 million shares) for \$65 million. The stock was received in connection with the Company's sale of Lane Bryant during the third quarter of 2001.

Also, in accordance with SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary," the Company records a non-operating gain when its proportionate share of an investee's equity increases as a result of the investee's initial public stock offering ("IPO"). Accordingly, during the second quarter of 2001, the Company recognized \$62 million of pretax gains from the IPO's of Alliance Data Systems Corp. ("ADS") and Galyan's Trading Company Inc. ("Galyan's"). ADS is a provider of electronic transaction services, credit services and loyalty and database marketing services. Galyan's is a specialty retailer that sells outdoor and athletic equipment, apparel, and footwear and accessories. Prior to the IPO's, the Company's ownership interest in ADS and Galyan's was approximately 31% and 37%, respectively. As of February 1, 2003, the Company owns approximately 14.7 million shares of ADS common stock, representing a 20% ownership interest, and 4.2 million shares of Galyan's common stock, representing a 24% ownership interest.

Adjusted Data

The following adjusted income information gives effect to certain significant transactions and events in 2002, 2001 and 2000. These items are more fully described in the "Special and Nonrecurring Items" and "Gains on Investees' Stock" sections in Management's Discussion and Analysis and in Notes 1 through 4 to the Consolidated Financial Statements.

In general, results are adjusted to exclude the impact of disposed businesses, the IBI recombination and other items of a nonrecurring nature which materially impact the comparability of the Company's results of operations.

The adjusted income information should not be construed as an alternative to the reported results determined in accordance with generally accepted accounting principles. Further, the Company's definition of adjusted income information may differ from similarly titled measures used by other companies. While it is not possible to predict future results, management believes the adjusted information is useful for the assessment of the ongoing operations of the Company.

	2002			2001			2000		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Adjusted Income Information (Millions except per share amounts)									
Net sales	\$8,445	—	\$8,445	\$8,423	(\$495)	\$7,928	\$9,080	(\$930)	\$8,150
Gross income	3,094	—	3,094	3,016	(155)	2,861	3,185	(248)	2,937
General, administrative and store operating expenses	(2,222)	—	(2,222)	(2,290)	117	(2,173)	(2,343)	218	(2,125)
Special and nonrecurring items	(34)	34	—	170	(170)	—	(10)	10	—
Operating income	838	34	872	896	(208)	688	832	(20)	812
Interest expense	(30)	—	(30)	(34)	—	(34)	(58)	—	(58)
Interest income	29	6	35	24	8	32	42	8	50
Other income (loss)	—	—	—	(2)	—	(2)	(22)	—	(22)
Minority interest	(6)	6	—	(64)	64	—	(69)	69	—
Gains on investees' stock	6	(6)	—	62	(62)	—	—	—	—
Income from continuing operations before income taxes	837	40	877	882	(196)	684	725	57	782
Income tax expense	341	8	349	376	(104)	272	318	(7)	311
Net income from continuing operations	496	32	528	506	(94)	412	407	64	471
Income from discontinued operations (including loss on disposal of \$4 million in 2002), net of tax	6	(6)	—	13	(13)	—	21	(21)	—
Net income	\$502	\$26	\$528	\$519	(\$107)	\$412	\$428	\$43	\$471
Income per share:									
Continuing operations	\$0.95		\$0.99	\$1.16		\$0.78	\$0.91		\$0.88
Discontinued operations	0.01		—	0.03		—	0.05		—
Net income per share	\$0.96		\$0.99	\$1.19		\$0.78	\$0.96		\$0.88
Weighted average shares outstanding	522		533	435		526	443		537

Notes to Adjusted Income Information

Excluded businesses:

- As a result of its sale on November 27, 2002, Lerner's results have been reflected in discontinued operations and were excluded in determining adjusted results for all periods presented. In addition, the adjusted results reflect the addition of interest income which would have been earned on the \$75 million note received from Lerner in connection with the sale.
- Lane Bryant results were excluded in determining adjusted results for 2001 and 2000 as a result of its sale to Charming Shoppes, Inc. on August 16, 2001.

Offer and merger:

- On March 21, 2002, the Company completed a tender offer and merger that resulted in the acquisition of the IBI minority interest. The adjusted results: 1. eliminate the minority interest in earnings of IBI and 2. increase total weighted average Class A common stock outstanding, using the exchange rate of 1.1 share of Limited Brands common stock for each share of IBI Class A common stock.

The following special items

were excluded in determining adjusted results:
2002 – a \$34 million non-cash charge for vested stock awards related to the IBI recombination and a \$6 million gain related to the sale of Charming Shoppes, Inc. common stock.
2001 – a \$170 million gain related to the sale of Lane Bryant and \$62 million of gains as a result of the IPO's of ADS and Galyan's.
2000 – a \$10 million charge to close Bath & Body Works' nine stores in the United Kingdom.

Financial Condition

Liquidity and Capital Resources

Cash provided by operating activities and funds available from commercial paper backed by bank credit agreements provide the resources to support current operations, projected growth, seasonal funding requirements and capital expenditures. Changes in consumer spending patterns, consumer preferences and overall economic conditions could impact the availability of future operating cash flows.

The Company's operations are seasonal in nature and consist of two principal selling seasons: spring (the first and second quarters) and fall (the third and fourth quarters). The fourth quarter, including the holiday season, accounted for approximately one-third of net sales in 2002, 2001 and 2000. Accordingly, cash requirements are highest in the third quarter as the Company's inventory builds in anticipation of the holiday season, which generates a substantial portion of the Company's operating cash flow for the year.

A summary of the Company's working capital position and capitalization follows:	(Millions)	2002	2001	2000
Cash provided by operating activities		\$795	\$1,005	\$822
Working capital		\$2,347	\$1,330	\$1,034
Capitalization				
Long-term debt		\$547	\$250	\$400
Shareholders' equity		4,860	2,744	2,316
Total capitalization		\$5,407	\$2,994	\$2,716
Additional amounts available under long-term credit agreements		\$1,250	\$1,250	\$1,000

The Company considers the following to be relevant measures of liquidity and capital resources:

	2002	2001	2000
Debt-to-equity ratio (Long-term debt divided by shareholders' equity)	11%	9%	17%
Debt-to-capitalization ratio (Long-term debt divided by total capitalization)	10%	8%	15%
Cash flow to capital investment (Net cash provided by operating activities divided by capital expenditures)	260%	267%	169%

Operating Activities

Net cash provided by operating activities, the Company's primary source of liquidity, was \$795 million in 2002, \$1,005 million in 2001, and \$822 million in 2000.

The decrease in cash provided by operating activities in 2002 was primarily driven by a decrease in income taxes payable and an increase in inventories. The decrease in income taxes payable is primarily due to the timing of payments and taxes paid on the Lane Bryant gain, partially offset by a decrease in pretax income. The increase in inventory primarily relates to higher levels across all businesses resulting from the addition of 106 new stores in 2002, as well as an increase in inventory at Lerner prior to its sale on November 27, 2002.

The increase in cash provided by operating activities in 2001 from 2000 was primarily driven by a decrease in inventories and an increase in income taxes payable. The inventory decline was the result of conservative inventory management in anticipation of a difficult retail environment in 2001. The increase in income taxes payable is primarily due to an increase in pretax income, timing of payments and the taxes due on the gain from the sale of Lane Bryant.

On February 14, 2003 in connection with the sale of Lerner, the Company received additional cash consideration of \$38 million based on Lerner's net working capital at closing. This amount was included in accounts receivable at February 1, 2003.

Investing Activities

In 2002, major investing activities included \$306 million in capital expenditures (see "Capital Expenditures" section) and cash inflows of \$79 million from the sale of Lerner, \$65 million from the sale of Charming Shoppes, Inc. stock, \$34 million from the sale of joint ventures and \$18 million associated with the Easton project (see "Easton Investment" section).

In 2001, major investing activities included \$377 million in capital expenditures and cash inflows of \$280 million from the sale of Lane Bryant, \$38 million from the sale of property and equipment and \$20 million from the collection of a long-term note receivable.

In 2000, major investing activities included \$487 million in capital expenditures and \$22 million in net expenditures associated with the Easton project.

Financing Activities

Financing activities in 2002 consisted of \$300 million in proceeds from the issuance of long-term debt and \$55 million in proceeds from the exercise of stock options, offset by the repayment of \$150 million of long-term debt and quarterly dividend payments of \$0.075 per share or \$150 million for the year.

Financing activities in 2001 consisted of the quarterly dividend payments of \$0.075 per share or \$129 million for the year. In addition, IBI repurchased 1 million shares of common stock from its public shareholders for \$8 million. These cash outflows were partially offset by proceeds from the exercise of stock options.

Financing activities in 2000 included repayment of \$150 million of term debt, redemption of the \$100 million Series C floating rate notes and quarterly dividend payments of \$0.075 per share or \$128 million for the year. In addition, the Company repurchased 9 million shares of its common stock for \$200 million. Finally, in 2000, IBI repurchased 9 million shares of its common stock for \$198 million, of which 7 million shares were repurchased on a proportionate basis from the Company for \$167 million. The repurchase did not change the Company's 84% ownership interest in IBI.

The Company has available \$1.25 billion under its unsecured revolving credit facility (the "Facility"), none of which was used as of February 1, 2003. The Facility is comprised of a \$500 million 364-day agreement and a \$750 million 5-year agreement. Borrowings under the agreement, if any, are due June 27, 2003 and July 13, 2006, respectively.

On February 3, 2003, the Company announced that its Board of Directors had authorized the repurchase of \$150 million of its outstanding shares either in the open market or through privately negotiated transactions, depending on prevailing market conditions. The Company also announced a 33% increase in the Company's 2003 common stock annual cash dividend to \$0.40 from \$0.30 cents per share, which will increase total dividend payments by approximately \$50 million.

On February 13, 2003, the Company issued \$350 million of 6.95% debentures due March 1, 2033 under a 144A private placement offering. The Company is required to register these securities with the Securities and Exchange Commission within 180 days of their issuance.

On February 27, 2003, the Company notified the holders of its 7 1/2% debentures due 2023 (the "Securities") of its intention to redeem the entire outstanding aggregate amount of \$250 million. Accordingly, the Securities become due and payable on March 28, 2003 at a redemption price equal to 103.16% of the principal amount, plus accrued interest through March 28, 2003. The early redemption of these Securities will result in a charge of approximately \$13 million in the first quarter of 2003, comprised of a call premium and the write-off of unamortized deferred financing fees and discounts.

Stores & Selling Square Feet

A summary of stores and selling square feet by business follows:

		End of Year		Change From	
		Plan 2003	2002	2001	2003-2002 2002-2001
Victoria's Secret Stores	Stores	1,014	1,014	1,002	- 12
	Selling square feet	4,771,000	4,663,000	4,458,000	108,000 205,000
Bath & Body Works	Stores	1,622	1,639	1,615	(17) 24
	Selling square feet	3,575,000	3,568,000	3,463,000	7,000 105,000
Express Women's	Stores	559	624	667	(65) (43)
	Selling square feet	3,483,000	3,927,000	4,280,000	(444,000) (353,000)
Express Men's	Stores	321	358	439	(37) (81)
	Selling square feet	1,298,000	1,458,000	1,774,000	(160,000) (316,000)
Express Dual Gender	Stores	112	49	-	63 49
	Selling square feet	1,030,000	467,000	-	563,000 467,000
Total Express	Stores	992	1,031	1,106	(39) (75)
	Selling square feet	5,811,000	5,852,000	6,054,000	(41,000) (202,000)
Limited Stores	Stores	346	351	368	(5) (17)
	Selling square feet	2,108,000	2,179,000	2,313,000	(71,000) (134,000)
Total apparel businesses	Stores	1,338	1,382	1,474	(44) (92)
	Selling square feet	7,919,000	8,031,000	8,367,000	(112,000) (336,000)
Henri Bendel	Stores	1	1	1	- -
	Selling square feet	35,000	35,000	35,000	- -
Lerner New York	Stores	-	-	522	- (522)
	Selling square feet	-	-	3,823,000	- (3,823,000)
Total retail businesses	Stores	3,975	4,036	4,614	(61) (578)
	Selling square feet	16,300,000	16,297,000	20,146,000	3,000 (3,849,000)

Capital Expenditures

Capital expenditures amounted to \$306 million, \$377 million and \$487 million for 2002, 2001 and 2000, of which \$259 million, \$287 million and \$381 million were for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures were primarily related to information technology and distribution centers.

The Company anticipates spending approximately \$400 million for capital expenditures in 2003, of which approximately \$300 million will be for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures are primarily related to information technology and distribution centers. The Company expects that 2003 capital expenditures will be funded principally by net cash provided by operating activities.

The Company expects selling square footage to remain about flat in 2003. While the Company plans the addition of approximately 30 stores and the closure of approximately 90 stores, the majority of capital will be spent on the remodeling of and improvements to approximately 380 existing stores, 288 of which will be sign changes related to Express Men's stores.

Easton Investment

The Company has land and other investments in Easton, a 1,200-acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments totaled \$69 million at February 1, 2003 and \$85 million at February 2, 2002.

Included in the Company's Easton investments is a member interest in the Easton Town Center, LLC ("ETC"), an entity that owns and has developed a commercial entertainment and retail center. The Company accounts for this interest using the equity method. The Company has a majority financial interest in ETC, but another member that is unaffiliated with the Company is the managing member. Certain significant decisions regarding ETC require the consent of the unaffiliated members in addition to the Company. The Company is evaluating the accounting impact of adopting FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," which is effective in the third quarter of 2003.

Total assets of ETC were approximately \$235 million as of February 1, 2003. In addition, ETC's principal funding source is a \$210 million secured bank loan, all of which was outstanding at February 1, 2003. The loan is payable in full on January 28, 2006, with the option of two twelve-month extensions if certain requirements are met. The Company has guaranteed \$25 million of the principal of this loan. If ETC does not meet the debt service coverage ratio or appraised property values required by the loan agreement, the Company has the option to 1) guarantee an additional amount of the loan; 2) provide an irrevocable letter of credit on behalf of ETC; 3) make a principal payment or 4) lease additional retail space. Otherwise, the bank may call the loan under the agreement's default provisions. The Company expects that ETC will meet the financial requirements of this loan.

The Company has issued a \$30 million standby letter of credit, on which the City of Columbus, Ohio (the "City") can draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. The bonds mature on December 1, 2024. Under the terms of the letter of credit, the City can draw funds if Easton property tax revenues are insufficient to cover the debt service requirements of the bonds. The Company does not expect that the City will be required to draw funds under the letter of credit.

Contractual Obligations and Contingent Liabilities

The Company's significant contractual obligations and contingent liabilities include its long-term debt obligations, operating lease commitments related principally to its stores, guarantees of store lease obligations of former subsidiaries and certain Easton-related contingent liabilities.

As detailed in Note 10 to the Consolidated Financial Statements, the Company's long-term debt totals \$547 million. In addition, on February 13, 2003, the Company issued \$350 million of 6.95% debentures due March 1, 2033 under a 144A private placement offering. Also, minimum rent commitments under noncancelable leases total \$2.886 billion (excluding additional payments required under store leases covering taxes, common area costs and certain other expenses) and are detailed by year in Note 7 to the Consolidated Financial Statements.

The Company's contingent liabilities include approximately \$570 million of remaining lease guarantees related to store leases that existed at the time its Abercrombie & Fitch, Limited Too, Galyan's, Lane Bryant and Lerner subsidiaries were divested. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses. These guarantees relate only to leases that commenced prior to the disposition of these subsidiaries. The Company does not intend and is not required to renew its guarantees at the expiration of these leases. Contingent liabilities also include the \$25 million guarantee and the \$30 million standby letter of credit related to Easton as previously discussed. These contingent liabilities are also further detailed in Note 7 to the Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Credit Related Retirement Obligations." SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal 2003. The Company is currently evaluating the impact of adopting SFAS No. 143 but does not anticipate that the adoption will have a significant impact on its results of operations or its financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — an Amendment of FASB Statement No. 123." This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements of SFAS No. 123 to require prominent disclosures about the method of accounting used for stock-based employee compensation and its effect on reported results. The Company has reflected the amended disclosure requirements in Note 1 to the Consolidated Financial Statements but does not currently plan to change to the fair value based method of accounting for stock-based employee compensation.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." This interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," establishes standards for determining under what circumstances a variable interest entity should be consolidated with its primary beneficiary. FIN 46 applies immediately to variable interest entities created after January 31, 2003. For variable interest entities acquired before February 1, 2003, this interpretation is effective in the third quarter of 2003. The Company is currently evaluating the effect of adopting FIN 46 on its results of operations, financial position and cash flows.

Market Risk

Management believes the Company's exposure to interest rate and market risk associated with financial instruments (such as investments and borrowings) is not material.

Impact of Inflation

The Company's results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes the effects of inflation, if any, on the results of operations and financial condition have been minor.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an on-going basis, management evaluates its estimates and judgments, including those related to inventories, long-lived assets and contingencies. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management believes the following assumptions and estimates are most significant to reporting our results of operations and financial position.

Inventories

Inventories are valued at the lower of average cost or market, on a weighted average cost basis, using the retail method. The Company records a charge to cost of goods sold for all inventory on hand when a permanent retail price reduction is reflected in its stores. In addition, management makes estimates and judgments regarding, among other things, initial markup, markdowns, future demand and market conditions, all of which significantly impact the ending inventory valuation. Inventory valuation at the end of the first and third quarters reflects adjustments for estimated inventory markdowns for the spring (first and second quarters) and fall (third and fourth quarters) selling seasons. If actual future demand or market conditions are different than those projected by management, future period merchandise margin rates may be unfavorably or favorably affected. Other significant estimates related to inventory include shrink and obsolete and excess inventory which are also based on historical results and management's operating projections.

Valuation of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Trademarks are reviewed for impairment annually by comparing the fair value to the carrying value. Goodwill is reviewed annually for impairment by comparing each reporting unit's carrying value to its fair value. Factors used in the valuation of long-lived assets, trademarks and goodwill include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows. If future economic conditions are different than those projected by management, additional impairment charges may be required.

Claims and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, income taxes, insurance and other matters arising out of the normal course of business. The Company's determination of the treatment of claims and contingencies in the financial statements is based on management's view of the expected outcome of the applicable claim or contingency. The Company consults with legal counsel on matters related to litigation and seeks input from other experts both within and outside the Company with respect to matters in the ordinary course of business. The Company accrues a liability if the likelihood of an adverse outcome is probable and the amount is estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not determinable, disclosure of a material claim or contingency is made in the notes to the financial statements.

While the Company's recognition of revenue does not involve significant judgment, revenue recognition represents an important accounting policy of the Company. As discussed in Note 1 to the Consolidated Financial Statements, the Company recognizes revenue upon customer receipt of the merchandise and provides a reserve for projected merchandise returns based on prior experience.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Report or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend" and similar expressions may identify forward-looking statements. The following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 2003 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this Report or otherwise made by management: changes in consumer spending patterns; consumer preferences and overall economic conditions; the potential impact of national and international security concerns on the retail environment, including any possible terrorist attacks and hostilities in Iraq or Korea; the impact of competition and pricing; changes in weather patterns; political stability; postal rate increases and charges; paper and printing costs; risks associated with the seasonality of the retail industry; risks related to consumer acceptance of the Company's products and the ability to develop new merchandise; the ability to retain, hire and train key personnel; risks associated with the possible inability of the Company's manufacturers to deliver products in a timely manner; risks associated with relying on foreign sources of production and availability of suitable store locations on appropriate terms. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

Consolidated Statements of Income

(Millions except per share amounts)

	2002	2001	2000
Net sales	\$8,445	\$8,423	\$9,080
Costs of goods sold, buying and occupancy	(5,351)	(5,407)	(5,895)
Gross income	3,094	3,016	3,185
General, administrative and store operating expenses	(2,222)	(2,290)	(2,343)
Special and nonrecurring items	(34)	170	(10)
Operating income	838	896	832
Interest expense	(30)	(34)	(58)
Interest income	29	24	42
Other income (loss)	—	(2)	(22)
Minority interest	(6)	(64)	(69)
Gains on investees' stock	6	62	—
Income from continuing operations before income taxes	837	882	725
Income tax expense	341	376	318
Net income from continuing operations	496	506	407
Income from discontinued operations (including loss on disposal of \$4 in 2002), net of tax	6	13	21
Net income	\$502	\$519	\$428
Income per basic share:			
Continuing operations	\$0.97	\$1.18	\$0.95
Discontinued operations	0.01	0.03	0.05
Net income per basic share	\$0.98	\$1.21	\$1.00
Income per diluted share:			
Continuing operations	\$0.95	\$1.16	\$0.91
Discontinued operations	0.01	0.03	0.05
Net income per diluted share	\$0.96	\$1.19	\$0.96

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheets

(Millions except per share amounts)

	February 1, 2003	February 2, 2002
Assets		
Current assets		
Cash and equivalents	\$2,262	\$1,495
Accounts receivable	151	80
Inventories	966	966
Other	227	243
Total current assets	3,606	2,784
Property and equipment, net	1,492	1,599
Deferred income taxes	—	67
Goodwill	1,311	121
Trade names and other intangible assets	447	31
Other assets	390	492
Total assets	\$7,246	\$5,094
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$456	\$365
Current portion of long-term debt	—	150
Accrued expenses and other	607	663
Income taxes	196	276
Total current liabilities	1,259	1,454
Deferred income taxes	125	—
Long-term debt	547	250
Other long-term liabilities	455	469
Commitments and contingencies (see Note 7)	—	—
Minority interest	—	177
Shareholders' Equity		
Preferred stock — \$1.00 par value; 10 shares authorized; none issued	—	—
Common stock — \$0.50 par value; 1,000 shares authorized; 523 and 432 shares issued in 2002 and 2001	261	216
Paid-in capital	1,693	46
Retained earnings	2,906	2,552
Less: treasury stock, at average cost; 3 shares in 2001	—	(70)
Total shareholders' equity	4,860	2,744
Total liabilities and shareholders' equity	\$7,246	\$5,094

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(Millions)

	Common Stock Shares Outstanding	Common Stock Par Value	Paid-In Capital	Retained Earnings	Treasury Stock, at Average Cost	Total Shareholders' Equity
Balance, January 29, 2000	430	\$190	\$123	\$6,109	(\$4,275)	\$2,147
Net income	-	-	-	428	-	428
Cash dividends	-	-	-	(128)	-	(128)
Repurchase of common stock, including transaction costs	(9)	-	-	-	(200)	(200)
Retirement of treasury stock	-	(82)	-	(4,241)	4,323	-
Two-for-one stock split	-	108	(108)	-	-	-
Exercise of stock options and other	5	-	50	-	19	69
Balance, February 3, 2001	426	\$216	\$65	\$2,168	(\$133)	\$2,316
Net income	-	-	-	519	-	519
Cash dividends	-	-	-	(129)	-	(129)
Exercise of stock options and other	3	-	(19)	(6)	63	38
Balance, February 2, 2002	429	\$216	\$46	\$2,552	(\$70)	\$2,744
Net income	-	-	-	502	-	502
Cash dividends	-	-	-	(150)	-	(150)
Acquisition of Intimate Brands, Inc. minority interest	89	44	1,587	-	-	1,631
Exchange of Intimate Brands, Inc. stock awards	-	-	59	-	-	59
Exercise of stock options and other	5	1	1	2	70	74
Balance, February 1, 2003	523	\$261	\$1,693	\$2,906	-	\$4,860

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Millions)

	2002	2001	2000
Operating Activities			
Net income	\$502	\$519	\$428
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	276	277	271
Special and nonrecurring items	34	(170)	10
Amortization of deferred compensation	34	12	14
Deferred income taxes	59	76	46
Minority interest, net of dividends paid	1	43	47
Loss on disposal of discontinued operations	10	-	-
Gains on investees' stock	(6)	(62)	-
Changes in assets and liabilities:			
Accounts receivable	(39)	15	15
Inventories	(144)	82	(106)
Accounts payable, accrued expenses and other	77	(6)	44
Income taxes payable	(110)	119	(60)
Other assets and liabilities	101	100	113
Net cash provided by operating activities	795	1,005	822
Investing Activities			
Capital expenditures	(306)	(377)	(487)
Proceeds from sale of subsidiary	79	280	-
Proceeds from sale of investee's stock	65	-	-
Proceeds from sale of joint ventures	34	-	-
Net proceeds (expenditures) related to Easton investment	18	(11)	(22)
Other investing activities	30	49	(7)
Net cash used for investing activities	(80)	(59)	(516)
Financing Activities			
Repayment of long-term debt	(150)	-	(250)
Proceeds from issuance of long-term debt	300	-	-
Repurchase of common stock, including transaction costs	-	-	(200)
Repurchase of Intimate Brands, Inc. common stock	-	(8)	(31)
Dividends paid	(150)	(129)	(128)
Proceeds from exercise of stock options and other	52	35	41
Net cash provided by (used for) financing activities	52	(102)	(568)
Net increase (decrease) in cash and equivalents	767	844	(262)
Cash and equivalents, beginning of year	1,495	651	913
Cash and equivalents, end of year	\$2,262	\$1,495	\$651

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1

Summary of Significant Accounting Policies

Principles of Consolidation

Limited Brands, Inc. (the "Company") sells women's and men's apparel, women's intimate apparel and personal care products under various trade names through its specialty retail stores and direct response (catalog and e-commerce) businesses.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements include the results of Lane Bryant through August 16, 2001, when it was sold to a third party, Intimate Brands, Inc. ("IBI"), an 84%-owned subsidiary through March 21, 2002, when the Company purchased the remaining minority interest (see Note 2) and Lerner New York ("Lerner") through November 27, 2002 when it was sold to a third party. Lerner's results are reflected as discontinued operations for all periods presented (see Note 3).

Investments in unconsolidated entities over which the Company exercises significant influence but does not have control are accounted for using the equity method. The Company's share of the net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in cost of goods sold. The Company's share of the net income or loss of all other unconsolidated entities is included in other income (loss) which amounted to (\$2) million in 2002, (\$11) million in 2001 and (\$24) million in 2000.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal years 2002 and 2001 represent the fifty-two-week periods ended February 1, 2003 and February 2, 2002 and results for fiscal year 2000 represent the fifty-three-week period ended February 3, 2001.

Cash and Equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with original maturities of less than 90 days.

The Company's cash management process provides for the daily funding of checks as they are presented to the bank. Included in accounts payable at February 1, 2003 and February 2, 2002 are \$161 million and \$120 million representing outstanding checks.

Inventories

Inventories are principally valued at the lower of average cost or market, on a weighted-average cost basis, using the retail method.

Store Supplies

The initial shipment of selling-related supplies (including, but not limited to, hangers, signage, security tags and packaging) is capitalized at the store opening date. Subsequent shipments

are expensed, except for new merchandise presentation programs, which are capitalized. Store supplies are adjusted as appropriate for changes in actual quantities or costs.

Direct Response Advertising

Direct response advertising relates primarily to the production and distribution of the Company's catalogs and is amortized over the expected future revenue stream, which is principally three months from the date catalogs are mailed. The Company had capitalized direct response advertising of \$20 million at February 1, 2003 and \$24 million at February 2, 2002. All other advertising costs are expensed at the time the promotion first appears in media or in the store. Catalog and advertising costs amounted to \$428 million in 2002, \$446 million in 2001 and \$480 million in 2000.

Long-lived Assets

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10 to 15 years for building and leasehold improvements, 3 to 10 years for store related property and equipment and 20 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend service lives are capitalized.

Effective in the first quarter of 2002, goodwill is no longer amortized. Prior to 2002, goodwill was amortized on a straight-line basis over 30 years and goodwill related to IBI stock buybacks was reversed as the shares were reissued to provide shares needed for employee benefit plans. The cost of intellectual property assets is amortized based on the sell-through of the related products, over the shorter of the term of the license agreement or the estimated useful life of the asset, not to exceed 10 years.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the undiscounted future cash flows from the long-lived assets are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the discounted future cash flows of the asset. Goodwill is reviewed annually for impairment by comparing each reporting unit's carrying value to its fair value. Trademarks are reviewed for impairment annually by comparing the fair value to the carrying value. Factors used in the valuation of long-lived assets, trademarks and goodwill include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Self Insurance

The Company is self-insured for medical, worker's compensation, general liability and automobile benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported (IBNR) claims. IBNR claims are estimated using historical claim information.

Stock-Based Compensation

The Company has elected to recognize compensation expense associated with stock-based awards under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), and related interpretations. Under APB No. 25, because the exercise price of the Company's employee stock options is generally equal to the market price of the underlying stock on the date of grant, no compensation expense is recognized. Statement of Financial Accounting Standards ("SFAS")

No. 123, "Accounting for Stock-Based Compensation", establishes an alternative method of expense recognition for stock-based compensation awards based on fair values.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 (millions, except per share amounts).

Stock-Based Compensation		2002	2001	2000
Net income, as reported		\$502	\$519	\$428
Add: Stock compensation cost recorded under APB No. 25, net of tax		58	13	8
Deduct: Stock compensation cost calculated under SFAS No. 123, net of tax		(50)	(39)	(31)
Pro forma net income		\$510	\$493	\$405
Earnings per share:	Basic, as reported	\$0.98	\$1.21	\$1.00
	Basic, pro forma	\$1.00	\$1.15	\$0.95
	Diluted, as reported	\$0.96	\$1.19	\$0.96
	Diluted, pro forma	\$0.99	\$1.14	\$0.91

In 2002, under APB No. 25, the Company recognized stock compensation expense of \$58 million, net of tax, which included \$43 million, net of tax for the exchange of stock awards related to the IBI recombination. Under SFAS No. 123, the stock compensation expense using the fair value method is \$50 million, net of tax, which includes \$14 million, net of tax related to stock awards exchanged in the IBI recombination.

The weighted average per share fair value of options granted by the Company (\$5.31, \$5.84 and \$5.19 during 2002, 2001 and 2000) was used to calculate the pro forma compensation expense under SFAS No. 123. The fair value was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for 2002, 2001 and 2000: dividend yields of 2.8%, 2.3% and 2.3%; volatility of 42%, 41% and 36%; risk-free interest rates of 3%, 4% and 5%; and expected lives of 4.4 years, 4.5 years and 4.3 years. The Company used an assumed forfeiture rate of 20% for stock-based awards granted prior to 2001.

Shareholders' Equity

On May 2, 2000, the Company declared a two-for-one stock split ("stock split") in the form of a stock dividend distributed on May 30, 2000 to shareholders of record on May 12, 2000. Shareholders' equity reflects the reclassification of an amount equal to the par value of the increase in issued common shares (\$108 million) from paid-in capital to common stock. Also, in connection with the stock split, the Company retired 327 million treasury shares with a cost of \$4.3 billion. A non-cash charge was made to retained earnings for the excess cost of treasury stock over its par value.

Also in 2000, the Company repurchased 9 million shares of its common stock for \$200 million.

Revenue Recognition

The Company recognizes sales upon customer receipt of the merchandise. Shipping and handling revenues are included in net sales and the related costs are included in costs of goods sold, buying and occupancy. Revenue for gift certificate sales and store credits is recognized at redemption. A reserve is provided for projected merchandise returns based on prior experience.

Cost of Goods Sold, Buying and Occupancy

Cost of goods sold includes merchandise costs, net of discounts and allowances, freight, and inventory shrinkage. Buying and occupancy expenses primarily include payroll, benefit costs, and operating expenses for the Company's buying departments and distribution network, rent, common area maintenance, real estate taxes, utilities, maintenance, catalog amortization and depreciation for the Company's stores and warehouse facilities and equipment.

General, Administrative and Store Operating Expenses

General, administrative and store operating expenses primarily include payroll and benefit costs for the Company's store-selling and administrative departments (including corporate functions), advertising and other operating expenses not specifically categorized elsewhere in the consolidated statements of income.

Earnings Per Share

Net income per share is computed in accordance with SFAS No. 128, "Earnings Per Share." Earnings per basic share is computed based on the weighted average number of outstanding common shares. Earnings per diluted share includes the weighted average effect of dilutive options and restricted stock on the weighted average shares outstanding. Additionally, prior to the IBI recombination in 2002 (see Note 2), earnings per diluted share included the impact of the dilutive options and restricted stock at IBI as a reduction to earnings. This had no impact on 2002 and 2001 earnings per diluted share but resulted in a \$0.01 reduction to 2000 earnings per diluted share.

Weighted Average Common Shares Outstanding (Millions)	2002	2001	2000
Common shares issued	511	432	432
Treasury shares	(1)	(4)	(4)
Basic shares	510	428	428
Effect of dilutive options and restricted stock	12	7	15
Diluted shares	522	435	443

The computation of earnings per diluted share excludes options to purchase 13.4 million, 11.3 million and 1.1 million shares of common stock in 2002, 2001 and 2000, because the options' exercise price was greater than the average market price of the common shares during the year.

Gains on Investees' Stock

During the third quarter of 2002, the Company recognized a \$6 million pretax gain resulting from the sale of its entire interest in Charming Shoppes, Inc. common stock (9.5 million shares) for \$65 million. The stock was received in connection with the Company's sale of Lane Bryant during the third quarter of 2001.

In accordance with SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary," the Company records a non-operating gain when its proportionate share of an investee's equity increases as a result of the investee's initial public stock offering ("IPO").

During the second quarter of 2001, the Company recognized \$62 million of pretax gains from the IPO's of Alliance Data Systems Corp. ("ADS") and Galyan's Trading Company Inc. ("Galyan's"). ADS is a provider of electronic transaction services, credit services and loyalty and database marketing services. Galyan's is a specialty retailer that sells outdoor and athletic equipment, apparel, and footwear and accessories. Prior to the IPO's, the Company's ownership interest in ADS and Galyan's was approximately 31% and 37%, respectively. As of February 1, 2003, the Company owns approximately 14.7 million shares of ADS common stock, representing a 20% ownership interest, and 4.2 million shares of Galyan's common stock, representing a 24% ownership interest. The carrying value of the ADS and Galyan's investments, combined, was \$156 million and \$145 million and the aggregate market value was \$299 million and \$364 million at February 1, 2003 and February 2, 2002, respectively.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

In addition, the Company reclassified landlord allowances received in conjunction with store leases from property and equipment to other long-term liabilities. Accordingly, related reclassifications have been reflected in the Consolidated Statements of Cash Flows resulting in an increase in capital expenditures, with an offsetting increase in cash flows from operating activities.

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Acquisition of Intimate Brands Minority Interest

On March 21, 2002, the Company completed a tax-free tender offer and merger, which resulted in the acquisition of the IBI minority interest. The acquisition resulted in the recombination of Intimate Brands and Limited Brands. The total purchase price was approximately \$1.6 billion, based on approximately 89 million Limited Brands common shares issued in the transaction and the average closing price of Limited Brands common stock over the 3-day period before and after the transaction date.

The acquisition was effected through an offer to exchange 1.1 shares of Limited Brands common stock for each share of IBI Class A common stock followed by a merger in which all publicly-held shares not tendered were exchanged for the same consideration. As a result, IBI became a wholly-owned subsidiary of Limited Brands and the former public shareholders of IBI became shareholders of Limited Brands.

The acquisition was accounted for using the purchase method of accounting, as prescribed by SFAS No. 141, "Business Combinations." The Company allocated the purchase price to the minority interest portion of the fair values of identifiable intangible assets acquired.

The purchase price allocation included \$411 million of acquired intangible assets related to trade names with indefinite lives. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," these intangible assets will not be amortized. The remaining purchase price allocation included the fair market value adjustments related to customer relationships and lists, property and equipment, leases, long-term debt and deferred rent. These adjustments are amortized over their respective useful lives (primarily five years) resulting in a non-cash expense of approximately \$5 million per year. In addition, the acquisition resulted in approximately \$1.2 billion of goodwill. None of these amounts are deductible for tax purposes.

The following table summarizes selected unaudited pro forma information for the years ended February 1, 2003 and February 2, 2002 as if the recombination had been completed at the beginning of 2001. This selected unaudited pro forma information is not necessarily indicative of the operating results that would have occurred if the recombination had been completed at the beginning of the periods presented and is not necessarily indicative of the results that may be achieved in the future. The pro forma information reflects adjustments related to additional depreciation and amortization from the fair market value adjustments described above, the elimination of minority interest in earnings of Intimate Brands and an increase in total weighted average shares outstanding based on the conversion of Intimate Brands historical weighted average Class A common stock outstanding using the 1.1 exchange ratio.

(Millions except per share amounts)	2002	2001
Net sales	\$8,445	\$8,423
Net income	508	580
Net income per share:		
Basic	\$0.97	\$1.12
Diluted	\$0.95	\$1.10

The selected unaudited pro forma information for the year ended February 1, 2003 includes a pretax, non-cash special and nonrecurring charge of \$34 million related to the exchange of vested IBI stock awards (see Note 4). In addition, the selected unaudited pro forma information for the year ended February 1, 2003 includes a pretax, non-cash compensation cost related to the exchange of unvested IBI stock awards for Limited Brands stock awards that will be recognized as expense over the remaining vesting periods, primarily in fiscal years 2002 and 2003. For the year ended February 1, 2003, the Company recognized \$25 million of pretax, non-cash compensation expense related to these unvested awards.

Discontinued Operations

On November 27, 2002, the Company sold one of its apparel businesses, Lerner/New York & Company ("Lerner"), to an investor group led by the business unit's President and Chief Executive Officer and affiliates of Bear Stearns Merchant Banking. Under the terms of the agreement, the Company received \$79 million in cash, a \$75 million subordinated note and warrants for approximately 15% of the common equity of the new company. A \$26 million discount was recorded on the subordinated note, which will be accreted to income over the term of the note on a straight-line basis. The subordinated note bears interest at 10% to be payable in-kind ("PIK") through the issuance of additional notes to the Company. The subordinated note and related PIK notes are due on November 26, 2009. Subsequent to year-end, the Company received approximately \$38 million in additional cash consideration based on Lerner's net working capital at closing. This amount was included in accounts receivable at February 1, 2003.

The transaction resulted in a fourth quarter after-tax loss of approximately \$4 million, which reflects transaction costs and a \$12 million lease guarantee liability (see Note 7). The Company's financial statements reflect Lerner's operating results (including the transaction loss) as a discontinued operation for all periods presented in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Lerner's net sales and pretax income reported in discontinued operations were \$708 million and \$15 million in 2002, \$940 million and \$22 million in 2001 and \$1,024 million and \$34 million in 2000. The Company did not allocate interest expense to discontinued operations.

The Company will continue to provide certain corporate services to Lerner under a service agreement.

Property and Equipment, Net**Property and Equipment, at Cost (Millions)**

Land, buildings and improvements	
Furniture, fixtures and equipment	
Leaseholds and improvements	
Construction in progress	
<i>Total</i>	
Less: accumulated depreciation and amortization	
<i>Property and equipment, net</i>	

2002	2001
\$346	\$365
1,900	1,956
1,363	1,489
22	22
3,631	3,832
2,139	2,233
\$1,492	\$1,599

Goodwill and Other Intangible Assets

Intangible assets, not subject to amortization, represent trade names that were recorded in connection with the acquisition of the Intimate Brands minority interest and were \$411 million as of February 1, 2003.

Intellectual property assets and other intangibles, subject to amortization, had a gross carrying value and accumulated amortization of \$54 million and \$18 million at February 1, 2003 and \$41 million and \$10 million at February 2, 2002.

Special and Nonrecurring Items

During the first quarter of 2002, in connection with the acquisition of the IBI minority interest (see Note 2), vested IBI stock options and restricted stock were exchanged for Limited Brands stock awards with substantially similar terms. In accordance with Emerging Issues Task Force Issue No. 00-23, "Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and Financial Accounting Standards Board ("FASB") Interpretation No. 44," the exchange was accounted for as a modification of a stock-based compensation arrangement. As a result, the Company recorded a pretax, non-cash charge of \$34 million in the first quarter of 2002.

During the third quarter of 2001, the Company sold one of its apparel businesses, Lane Bryant, to Charming Shoppes, Inc. for \$280 million of cash and 8.7 million shares of Charming Shoppes, Inc. common stock valued at \$55 million. On December 12, 2001, the Company received additional Charming Shoppes, Inc. common stock valued at \$4 million based on a final determination of Lane Bryant's net tangible assets at closing. The transaction resulted in a third quarter pretax gain of \$170 million (net of \$24 million of transaction costs) and a \$68 million tax provision. The Company continues to provide certain corporate services to Lane Bryant through a transition period under service agreements.

During the fourth quarter of 2000, the Company recorded a \$10 million pretax charge to close Bath & Body Works' United Kingdom stores. The charge consisted of non-cash store and other asset write-offs of \$5 million and accruals for lease termination and other costs of \$5 million, all of which were paid during 2001.

The changes in the carrying amount of goodwill for the year ended February 1, 2003 is as follows:

(Millions)	Victoria's Secret	Bath & Body Works	Apparel	Total
Balance, February 2, 2002	\$50	\$67	\$4	\$121
Goodwill acquired (disposed)	640	554	(4)	1,190
Balance, February 1, 2003	\$690	\$621	-	\$1,311

Leased Facilities, Commitments and Contingencies

Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount.

Rent Expense (Millions)		2002	2001	2000
Store rent	Fixed minimum	\$466	\$464	\$476
	Contingent	42	44	52
Total store rent		508	508	528
Equipment and other		34	30	25
Total rent expense		\$542	\$538	\$553

For leases that contain predetermined fixed escalations of the minimum rentals and/or rent abatements, the Company recognizes the related rental expense on a straight-line basis and records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits, which are included in other long-term liabilities. At February 1, 2003 and February 2, 2002, this liability amounted to \$66 million and \$86 million.

Landlord allowances received upon entering into certain store leases are recognized on a straight-line basis as a reduction to rent expense over the lease term. The unamortized portion is included in other long-term liabilities. At February 1, 2003 and February 2, 2002, the long-term deferred credit was approximately \$202 million and \$240 million.

At February 1, 2003, the Company was committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of these commitments consists of store leases generally with an initial term of ten years, with options to renew at varying terms. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses. The obligations for these additional payments are excluded from the "minimum rent commitments under noncancelable leases" table that follows.

Minimum Rent Commitments Under Noncancelable Leases (Millions)

2003	\$525
2004	482
2005	428
2006	362
2007	282
Thereafter	807

Additionally, the Company has guaranteed approximately \$570 million of lease payments of Abercrombie & Fitch, Limited Too, Galyan's, Lane Bryant and Lerner under noncancelable leases expiring at various dates through 2014. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses. These guarantees relate only to leases that commenced prior to the disposition of these subsidiaries. The Company does not intend and is not required to renew its guarantees at the expiration of these leases.

In conjunction with the sale of Lerner, the Company recognized a liability of \$12 million representing the estimated fair value of the Company's obligation as guarantor in accordance with the provisions of SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" effective for guarantees issued after May 15, 2002.

The Company has land and other investments in Easton, a 1,200-acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments totaled \$69 million at February 1, 2003 and \$85 million at February 2, 2002.

Included in the Company's Easton investments is a member interest in the Easton Town Center, LLC ("ETC"), an entity that owns and has developed a commercial entertainment and retail center. The Company accounts for this interest using the equity method. The Company has a majority financial interest in ETC, but another member that is unaffiliated with the Company is the managing member. Certain significant decisions regarding ETC require the consent of the unaffiliated members in addition to the Company. The Company is evaluating the accounting impact of adopting FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," which is effective in the third quarter of 2003.

Total assets of ETC were approximately \$235 million as of February 1, 2003. In addition, ETC's principal funding source is a \$210 million secured bank loan, all of which was outstanding at February 1, 2003. The loan is payable in full on January 28, 2006, with the option of two twelve-month extensions if certain requirements are met. The Company has guaranteed \$25 million of the principal of this loan. If ETC does not meet the debt service coverage ratio or appraised property values required by the loan agreement, the Company has the option to 1) guarantee an additional amount of the loan; 2) provide an irrevocable letter of credit on behalf of ETC; 3) make a principal payment or 4) lease additional retail space. Otherwise, the bank may call the loan under the agreement's default provisions. The Company expects that ETC will meet the financial requirements of this loan.

The Company has issued a \$30 million standby letter of credit, on which the City of Columbus, Ohio (the "City") can draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. The bonds mature on December 1, 2024. Under the terms of the letter of credit, the City can draw funds if Easton property tax revenues are insufficient to cover the debt service requirements of the bonds. The Company does not currently anticipate that the City will be required to draw funds under the letter of credit.

The Company is subject to various claims and contingencies related to lawsuits, income taxes and other matters arising out of the normal course of business. Management believes that the ultimate liability arising from such claims or contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or liquidity.

Accrued Expenses and Other (Millions)		2002	2001
Deferred revenue		\$165	\$165
Compensation, payroll taxes and benefits		118	133
Taxes, other than income		57	52
Insurance		32	41
Returns reserve		32	31
Rent		31	40
Other		172	201
Total		\$607	\$663

Income Taxes

Provision for Income Taxes (Millions)		2002	2001	2000
Currently payable	Federal	\$251	\$253	\$251
	State	49	41	26
	Foreign	5	5	6
	Total	305	299	283
Deferred	Federal	30	56	8
	State	6	21	27
	Total	36	77	35
Total provision		\$341	\$376	\$318

The total provision excludes amounts related to discontinued operations in the amount of (\$1) million in 2002, \$9 million in 2001, and \$13 million in 2000. The 2002 tax provision also reflects the nondeductible expense related to the exchange of vested IBI incentive stock options (see Note 4). The foreign component of pretax income, arising principally from overseas sourcing operations, was \$56 million in 2002, \$59 million in 2001 and \$70 million in 2000.

The following reconciliation between the statutory Federal income tax rate and the effective income tax rate on pretax earnings excludes the impact of minority interest, discontinued operations and the nondeductible expense related to the exchange of IBI incentive stock options (see Note 2).

Reconciliation Between the Statutory Federal Income Tax Rate and the Effective Tax Rate	2002	2001	2000
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of Federal income tax effect	4.3%	4.3%	4.5%
Other items, net	0.5%	0.5%	0.5%
Total	39.8%	39.8%	40.0%

The Company's effective tax rate has historically reflected and continues to reflect a provision related to the undistributed earnings of foreign affiliates. The Internal Revenue Service ("IRS") has assessed the Company for additional taxes and interest for the years 1992 to 1998 relating to the undistributed earnings of foreign affiliates. On September 7, 1999, the United States Tax Court sustained the position of the IRS with respect to the 1992 year. In connection with an appeal of the Tax Court judgment, in 1999 the Company made a \$112 million payment of taxes and interest for the years 1992 to 1998 that reduced deferred tax liabilities.

On March 29, 2002, the U.S. Court of Appeals for the Sixth Circuit ruled in favor of the Company, reversing the previous Tax Court judgment relating to the 1992 year. This ruling will also apply to years 1993 and 1994. However, the amount of any payment the Company may receive related to the 1992 through 1994 years has not been finalized and the Company will be required to pursue additional actions to obtain any refunds related to the 1995 through 1998 years.

Effect of Temporary Differences that Give Rise to Deferred Income Taxes (Millions)	2002			2001		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Property and equipment	—	(\$119)	(\$119)	—	(\$98)	(\$98)
Trademarks and other intangibles	—	(155)	(155)	\$13	—	13
Undistributed earnings of foreign affiliates	—	(36)	(36)	—	(41)	(41)
Leases	\$100	—	100	108	—	108
Inventory	15	—	15	16	—	16
Investments in unconsolidated affiliates	—	(30)	(30)	—	(24)	(24)
Non-qualified retirement plan	28	—	28	28	—	28
Other, net	16	—	16	40	—	40
Total deferred income taxes	\$159	(\$340)	(\$181)	\$205	(\$163)	\$42

Income taxes payable included net current deferred tax liabilities of \$56 million at February 1, 2003 and \$25 million at February 2, 2002. Income tax payments were \$376 million in 2002, \$181 million in 2001 and \$316 million in 2000.

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Long-term Debt

Unsecured Long-term Debt (Millions)		2002	2001
6 1/8%	Notes due December 2012, less unamortized discount	\$299	—
7 1/2%	Debentures due March 2023, less unamortized discount	248	\$250
7 4/5%	Notes due May 2002	—	150
Less: current portion of long-term debt		—	150
Total		\$547	\$250

On November 25, 2002, the Company issued \$300 million of debt securities which mature on December 1, 2012 and bear interest at 6 1/8%. The debt securities were issued using the Company's then existing \$250 million shelf registration, together with an additional \$50 million as permitted pursuant to Securities and Exchange Commission shelf registration regulations.

The \$250 million 7 1/2% debentures may be redeemed at the option of the Company, in whole or in part, at any time on or after March 15, 2003, at declining premiums (see Note 15). The unamortized discount relates to the fair market value adjustment of Intimate Brands' portion of the 7 1/2% debentures in connection with the recombination (see Note 2) and is being amortized over the remaining term of the debentures.

In 2001, the Company entered into a \$1.25 billion unsecured revolving credit facility (the "Facility"). The Facility is comprised of a \$500 million 364-day agreement and a \$750 million 5-year agreement. Borrowings outstanding under the Facility, if any, are due June 27, 2003 and July 13, 2006, respectively. The Facility has several borrowing and interest rate options both fixed and variable. Fees payable under the Facility are based on the Company's long-term credit ratings, and are currently 0.1% (for the 364-day agreement) and 0.125% (for the 5-year agreement) of the committed amount per year.

The Facility requires the Company to maintain certain specified fixed charge and debt-to-capital ratios. The Company was in compliance with these requirements at February 1, 2003.

The Facility supports the Company's commercial paper and letter of credit programs, which are used from time to time to fund working capital and other general corporate requirements. The Company did not issue commercial paper or draw on the Facility during 2002. In addition, no commercial paper or amounts under the Facility were outstanding at February 1, 2003.

Interest paid was \$29 million in 2002, \$34 million in 2001 and \$66 million in 2000.

Stock-based Compensation

Stock Options

Under the Company's stock plans, associates may be granted up to a total of 75 million options and restricted shares to purchase the Company's common stock at the market price on the date of grant. This amount includes an additional 12 million options and restricted shares authorized in 2002. Options have a maximum term of ten years and generally vest over periods from four to six years.

Prior to the acquisition of the IBI minority interest, associates were granted restricted shares and options under separate Limited Brands and IBI stock plans. As a result of the recombination (see Note 2), the IBI stock plan was amended to reflect the conversion of IBI stock options and restricted stock to Limited Brands stock awards with substantially similar terms.

Restricted Stock

Approximately 559,000, 75,000 and 41,000 restricted Limited Brands shares were granted in 2002, 2001 and 2000, with market values at date of grant of \$10 million in 2002 and \$1 million in each of 2001 and 2000. Restricted shares generally vest over a period of three to six years. Additionally, IBI granted 59,000 restricted shares in 2000. No IBI restricted shares were granted in 2001. The restricted shares were exchanged for Limited Brands stock awards with substantially similar terms (see Stock Options section).

Stock Options Outstanding at February 1, 2003 (Millions except per share amounts)

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$6-10	12,753	4.1	\$9.22	8,716	\$9.12
\$11-15	10,318	6.1	\$13.23	5,537	\$13.28
\$16-20	19,297	7.6	\$17.62	5,120	\$17.20
\$21-27	1,596	6.9	\$21.88	687	\$22.07
\$6-27	43,964	6.2	\$14.31	20,060	\$12.77

Stock Option Activity (Millions except per share amounts)		Number of Shares	Weighted Average Option Price Per Share
2000	Outstanding at beginning of year	32,574	\$12.03
	Granted	4,075	17.39
	Exercised	(4,157)	10.22
	Canceled	(2,285)	14.03
	Outstanding at end of year	30,207	\$12.86
	Options exercisable at end of year	10,474	\$11.53
2001	Outstanding at beginning of year	30,207	\$12.86
	Granted	5,818	17.71
	Exercised	(2,464)	10.68
	Canceled	(3,097)	16.43
	Outstanding at end of year	30,464	\$13.61
	Options exercisable at end of year	12,272	\$12.08
2002	Outstanding at beginning of year	30,464	\$13.61
	Granted	7,952	17.59
	Exchange of IBI options	13,871	12.86
	Exercised	(4,544)	10.95
	Canceled	(3,779)	14.51
	Outstanding at end of year	43,964	\$14.31
Options exercisable at end of year		20,060	\$12.77

Retirement Benefits

The Company sponsors a qualified defined contribution retirement plan and a nonqualified supplemental retirement plan. Participation in the qualified plan is available to all associates who have completed 1,000 or more hours of service with the Company during certain twelve-month periods and attained the age of 21. Participation in the nonqualified plan is subject to service, job level and compensation requirements. Company contributions

to these plans are based on a percentage of associates' eligible annual compensation. The cost of these plans was \$67 million in 2002, \$56 million in 2001 and \$54 million in 2000. The liability for the nonqualified plan, including contributions made by employees and the Company, amounted to \$111 million at February 1, 2003 and \$109 million at February 2, 2002 and is included in other long-term liabilities.

Fair Value of Financial Instruments and Concentration of Credit Risk

Fair Value

The carrying value of cash equivalents, accounts receivable, accounts payable, current portion of long-term debt and accrued expenses approximates fair value because of their short maturity. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The estimated fair value of the Company's long-term debt at February 1, 2003 and February 2, 2002 was \$556 million and \$221 million compared to the carrying value of \$547 million and \$250 million, respectively.

Concentration of Credit Risk

The Company maintains cash and equivalents with various major financial institutions, as well as corporate commercial paper. The Company monitors the relative credit standing of these financial institutions and other entities and limits the amount of credit exposure with any one entity. The Company also monitors the creditworthiness of the entities to which it grants credit terms in the normal course of business.

Segment Information

Following the acquisition of the IBI minority interest (see Note 2), the Company has resegmented its business into three reportable segments: Victoria's Secret, Bath & Body Works and Apparel. Previously, the Company's reportable segments were Intimate Brands and Apparel. Historical financial information has been reclassified to reflect this new segmentation.

The Victoria's Secret segment derives its revenues from sales of women's intimate and other apparel, personal care products and accessories marketed under the Victoria's Secret brand name. Victoria's Secret merchandise is sold through its stores and direct response (catalog and e-commerce) businesses. The Bath & Body Works segment derives its revenues from the sale of personal care products and accessories and home fragrance products marketed under the Bath & Body Works and White Barn Candle Company brand names. The Apparel segment derives its revenues from sales of women's and men's apparel through Express and Limited Stores.

Segment Information (Millions)		Victoria's Secret	Bath & Body Works	Apparel	Other	Reconciling Items	Total
2002	Net sales	\$3,588	\$1,781	\$2,711	\$1,510	\$(1,143)	\$8,445
	Depreciation & amortization	75	65	52	84	—	276
	Operating income	614	300	115	(157)	(34)	838
	Total assets	1,991	1,477	685	3,093	—	7,246
	Capital expenditures	117	39	89	61	—	306
2001	Net sales	\$3,272	\$1,747	\$2,662	\$1,814	\$(1,072)	\$8,423
	Depreciation & amortization	70	59	59	89	—	277
	Operating income	454	347	55	(130)	170	896
	Total assets	1,078	776	666	2,574	—	5,094
	Capital expenditures	128	99	58	92	—	377
2000	Net sales	\$3,301	\$1,785	\$2,836	\$2,295	\$(1,137)	\$9,080
	Depreciation & amortization	64	48	66	93	—	271
	Operating income	468	418	75	(119)	(10)	832
	Total assets	1,036	776	709	1,966	—	4,487
	Capital expenditures	136	140	55	156	—	487

* Includes Corporate (including non-core real estate and equity investments), Mast, Henri Bendel, Lerner (through November 27, 2002) and Lane Bryant (through August 16, 2001).

▲ Represents the elimination of Mast sales to the Victoria's Secret, Bath & Body Works and Apparel segments.

• As a result of its sale on November 27, 2002, Lerner's results have been reflected in discontinued operations and are excluded from net sales and operating income for all periods presented.

• Special and nonrecurring items: 2002 – a \$34 million non-cash charge for the exchange of vested stock awards related to the IBI recombination. 2001 – a \$170 million gain resulting from the sale of Lane Bryant. 2000 – a \$10 million charge to close Bath & Body Works' nine stores in the United Kingdom.

Subsequent Event

On February 13, 2003, the Company issued \$350 million of 6.95% debentures due March 1, 2033 under a 144A private placement offering. The Company is required to register these securities with the Securities and Exchange Commission within 180 days of their issuance.

On February 27, 2003, the Company notified the holders of its 7 1/2% debentures due 2023 (the "Securities") of its intention to redeem the entire outstanding aggregate amount of \$250 million. Accordingly, the Securities become due and payable on March 28, 2003 at a redemption price equal to 103.16% of the principal amount, plus accrued interest through March 28, 2003. The early redemption of these Securities will result in a pretax charge of approximately \$13 million in the first quarter of 2003, comprised of a call premium and the write-off of unamortized deferred financing fees and discounts.

Quarterly Financial Data (Unaudited)

Summarized quarterly financial results for 2002 and 2001 follow (Millions except per share amounts):

2002 Quarters *		First	Second	Third	Fourth
Net sales [▲]		\$1,799	\$1,912	\$1,768	\$2,966
Gross income [▲]		622	673	564	1,235
Net income from continuing operations		44	81	14	357
Net income from discontinued operations		6	2	2	(4)
Net income		50	83	16	353
Net income per share from continuing operations:	Basic	\$0.10	\$0.16	\$0.03	\$0.66
	Diluted	0.09	0.15	0.03	0.67
Net income per share:	Basic	\$0.11	\$0.16	\$0.03	\$0.66
	Diluted	0.10	0.16	0.03	0.66
2001 Quarters *		First	Second	Third	Fourth
Net sales [▲]		\$1,898	\$1,999	\$1,687	\$2,839
Gross income [▲]		611	664	514	1,227
Net income from continuing operations		27	85	88	306
Net income from discontinued operations		4	(13)	1	21
Net income		31	72	89	327
Net income per share from continuing operations:	Basic	\$0.06	\$0.20	\$0.21	\$0.71
	Diluted	0.06	0.19	0.21	0.70
Net income per share:	Basic	\$0.07	\$0.17	\$0.21	\$0.76
	Diluted	0.07	0.16	0.21	0.75

* As a result of its sale on November 27, 2002, Lerner's operating results have been reflected as discontinued operations for all periods presented. A loss on the disposal of Lerner of \$4 million, net of tax, was recorded in the fourth quarter of 2002.

▲ Amounts have been reclassified to reflect Lerner's operating results as discontinued operations. Net sales previously reported for the first three quarters in 2002 were \$2.027 billion, \$2.113 billion and \$1.983 billion. Net sales reported for the quarters ended May 5, 2001, August 4, 2001, November 3, 2001 and February 2, 2002 were \$2.127 billion, \$2.192 billion, \$1.906 billion and \$3.138 billion, respectively. Gross income previously reported for the first three quarters of 2002 was \$665 million, \$724 million and \$619 million. Gross income reported for the quarters ended May 5, 2001, August 4, 2001, November 3, 2001 and February 2, 2002 was \$671 million, \$692 million, \$567 million and \$1.323 billion, respectively.

The following special items are included in the above results: 2002 – a \$34 million non-cash charge in the first quarter for the exchange of vested stock awards related to the IBI recombination and a \$6 million gain in the third quarter resulting from the sale of Charming Shoppes, Inc. common stock. 2001 – a \$170 million gain in the third quarter resulting from the sale of Lane Bryant and \$62 million in gains in the second quarter resulting from the IPO's of ADS and Galyan's.

Report of Independent Accountants

To the Board of Directors & Shareholders of
Limited Brands, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Limited Brands, Inc. and its subsidiaries at February 1, 2003 and February 2, 2002, and the results of their operations and their cash flows for each of the three years in the period ended February 1, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which changed the method of accounting for discontinued operations.

PriceWaterhouseCoopers LLP

Columbus, Ohio
February 27, 2003

Market Price and Dividend Information

The Company's common stock is traded on the New York Stock Exchange ("NYSE"). On February 1, 2003, there were approximately 68,000 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company-sponsored retirement plans and others holding shares in broker accounts under street names, the Company estimates the shareholder base to be approximately 214,000.

		Market Price High	Market Price Low	Cash Dividend Per Share
Fiscal Year 2002	Fourth quarter	\$18.50	\$12.11	\$0.075
	Third quarter	17.11	12.53	0.075
	Second quarter	22.34	15.30	0.075
	First quarter	20.00	15.95	0.075
Fiscal Year 2001	Fourth quarter	\$18.98	\$11.56	\$0.075
	Third quarter	17.63	9.00	0.075
	Second quarter	17.50	14.94	0.075
	First quarter	19.99	14.61	0.075

Executive Officers	Leslie H. Wexner	Chairman and Chief Executive Officer		
	Leonard A. Schlesinger	Vice Chairman and Chief Operating Officer		
	V. Ann Hailey	Executive Vice President and Chief Financial Officer		
Business Unit Leaders	Robin Burns	President and Chief Executive Officer		Intimate Beauty Corporation
	Ed Burstell	Vice President and General Manager		Henri Bendel
	Neil S. Fiske	Chief Executive Officer		Bath & Body Works
	Diane Holtz	President		The Limited
	Christianne Michaels	President		White Barn Candle Company
	Grace A. Nichols	President and Chief Executive Officer		Victoria's Secret Stores
	Jeff Sherman	Chief Executive Officer		The Limited
	Kenneth T. Stevens	President		Bath & Body Works
	Jerry Stritzke	Chief Executive Officer		Mass Industries
	Sharen Jester Turney	President and Chief Executive Officer		Victoria's Secret Direct
	Michael A. Weiss	President and Chief Executive Officer		Express
Center Functions	Marie Holman-Rao	President		Design Services
	Barry D. Kaufman	President		Real Estate
	Nicholas LaHowchic	President		Logistics Services
	Edward G. Razeck	President and Chief Marketing Officer		Brand and Creative Services
	Jon J. Ricker	President and Chief Information Officer		Technology Services
	Gene Torchia	President		Store Design and Construction
	Stuart B. Burdgerfer	Senior Vice President and Controller		Finance
	Timothy J. Faber	Vice President		Treasury, Mergers and Acquisitions
	Daniel P. Finkelman	Senior Vice President		Brand and Business Planning
	Samuel P. Fried	Senior Vice President		General Counsel and Secretary
	Mark A. Girelli	Senior Vice President and Chief Stores Officer		Store Operations
	David H. Hassen	Vice President		Tax
	Peter Horvath	Senior Vice President		Merchandise Planning and Allocation
	Tom Katzenmeyer	Vice President		Communications and Investor Relations
	Bethmaria Kessler	Vice President		Internal Audit
	Bruce A. Sell	Senior Vice President and Counsel		Company Affairs
	Jerry Stritzke	Senior Vice President and Chief Sourcing Officer		Production and Sourcing
	Tracey Thomas Travis	Senior Vice President		Finance
Board of Directors	Leslie H. Wexner	Chairman and Chief Executive Officer	Limited Brands	Columbus, Ohio
	Leonard A. Schlesinger	Vice Chairman and Chief Operating Officer	Limited Brands	Columbus, Ohio
	V. Ann Hailey	Executive Vice President and Chief Financial Officer	Limited Brands	Columbus, Ohio
	Eugene M. Freedman	Senior Advisor and Director	Monitor Clipper Partners, Inc.	Cambridge, Massachusetts
	E. Gordon Gee	Chancellor	Vanderbilt University	Nashville, Tennessee
	James L. Heskett	Baker Foundation Professor	Graduate School of Business Administration Harvard University	Boston, Massachusetts
	Donna James	Executive Vice President and Chief Administrative Officer	Nationwide	Columbus, Ohio
	David T. Kollat	Chairman	22, Inc.	Westerville, Ohio
	Donald B. Shackelford	Chairman of the Board	Fifth Third Bank, Central Ohio	Columbus, Ohio
	Alex Shumate	Managing Partner	Squire, Sanders & Dempsey, LLP	Columbus, Ohio
	Altan R. Tessler	Chairman and Chief Executive Officer	International Financial Group, Inc.	New York, New York
	Martin Trust	Senior Advisor	Limited Brands	Palm Beach, Florida
	Abigail S. Wexner	Attorney at Law		Columbus, Ohio
	Raymond Zimmerman	Chairman of the Board	90estuff.com	Boca Raton, Florida

* Member of the Audit Committee
 ▲ Member of the Compensation Committee
 ● Member of the Finance Committee
 ◆ Member of the Nominating Committee

Company Information	Headquarters	Limited Brands Three Limited Parkway Columbus, Ohio 43230	614.415.7000 www.LimitedBrands.com
	Annual Meeting	The annual meeting of shareholders is scheduled for: 9:00 AM, Monday, May 19, 2003	Three Limited Parkway Columbus, Ohio 43230
	Stock Exchange Listings	New York Stock Exchange (Trading Symbol "LTD")	Commonly listed in newspapers as "Lmtld"
	Overseas Offices	Antanarivo Hong Kong Port Louis Mauritius	Cape Town Jakarta Seoul
		Colombo London Shanghai	Guatemala City Mexico City Taipei
			Ho Chi Minh City Milan Tokyo
	10-K Report and Information Requests	A copy of form 10-K, as well as all other SEC filings, is available without charge through our Web site, www.LimitedBrands.com, or upon written request to: Limited Brands, Investor Relations, Three Limited Parkway, Columbus, Ohio, 43230. These reports are available as soon as reasonably practicable after such material is electronically filed with or furnished to the Commission. For information please call 614.415.6400.	
	Stock Transfer Agent, Registrar, and Dividend Agent	Wachovia 1525 West W.T. Harris Blvd., 3C3 Charlotte, NC 28268-1153 800.829.8432	
	Limited Brands	As of February 1, 2003: Number of associates: 98,900 Approximate shareholder base: 214,000	Founded 1963 ©2003 Limited Brands

Anticipated Monthly Sales and Quarterly Earnings Dates for 2003:	February Sales	03/06/03	First Quarter Earnings	05/19/03
	March Sales	04/10/03	Second Quarter Earnings	08/21/03
	April Sales	05/06/03	Third Quarter Earnings	11/20/03
	May Sales	06/05/03	Fourth Quarter Earnings	02/26/04
	June Sales	07/10/03		
	July Sales	08/07/03		
	August Sales	09/04/03		
	September Sales	10/09/03		
	October Sales	11/06/03		
	November Sales	12/04/03		
	December Sales	01/08/04		
	January Sales	02/05/04		

Live audio of the quarterly earnings conference calls can be accessed through our Web site, www.LimitedBrands.com.

Audio replays of both monthly sales and quarterly earnings conference calls can be accessed through our Web site, www.LimitedBrands.com, or by dialing 800.337.6551 followed by the conference call passcode, LTD (or 583).

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